BUSINESS WEEK

MAY 31, 1947

WEEK AGO

YEAR AGO

No. 2 in a series of Reports to Executives on "The New American Market"

A McGRAW-HILL PUBLICATION

*"ТЕХНИЧЕСКОЕ РАЗРЕШЕНИЕ ВСЕХ БУРОВЫХ ПРОБЛЕМ..!"

Though languages may differ, the phrase, Hughes "Engineered Solution" has the same connotation the world over, with men who drill for oil.

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   There are 207 authorized Lindsay Body Builders, thus, you can get complete factory service on any Lindsay body any place in the country. Your branch offices can also buy new bodies locally and know that they conform to your standard specifications.
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   LS has an amazingly high strength-weight ratio. Your Lindsay body withstands wear—saves weight, increases payload.
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   Units in your fleet can be identical yet built in entirely different parts of the country.
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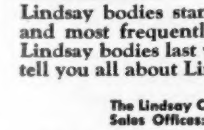
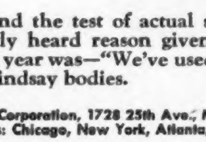
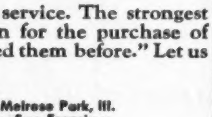
LS bodies in Borden's Poinsettia fleet by Fyfe Body Works, Tampa, Florida.



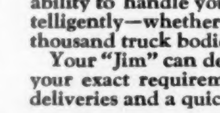
LS bodies in Consolidated Dressed Beef Co. fleet built by Glasier Body Corporation, Newark, New Jersey.



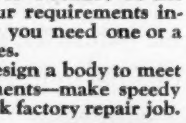
LS bodies in Kahn's Furniture Co. fleet built by Philadelphia Truck Body Co., Philadelphia, Pennsylvania.



LS bodies in Columbia Baking Co. fleet built by Murphy Body Works, Wilson, North Carolina.



LS bodies in Wilson & Co. fleet built by Hercules Body Co., Evansville, Indiana.



LS bodies in General Baking Co. fleet built by Diehl & Sons, Inc., Richmond Hill, New York.

LS bodies in Christie's Bread, Ltd., fleet built by Wilson Motor Bodies, Ltd.

LINDSAY
LS STRUCTURE

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/ASHINGTON OUTLOOK

JUNE IS DEADLINE MONTH for Congress—on eight major issues that affect business.

Not all eight can be decided in the next four ks. Congress is too far behind in its work.

But most of them should be far enough along une 30 to give you a good idea of what will be effects of this session on your business.

Heading the June worksheet, of course, is the r bill. The other items:

Income tax cut.
Federal budget for fiscal '48.
Export-import controls, and priorities.
Rent control.
RFC extension.
Government authority to operate ships, allo- freight cars.
Subsidy for high-cost copper, lead, and zinc.

•

Here's where the deadline issues stand at the t of June—

Labor: Conference version patterned closely ng lines of Senate bill ready for Senate and se approval in a week or 10 days.

Truman veto still likely; whether it will be- e law over a veto hinges on how a handful of ate Democrats vote (BW—May24'47,p82).

Income tax: The G.O.P. 10%-20%-30% cut—to start July 1—almost ready for Tru- n's desk.

Truman still hasn't made up his mind to sign veto, but there's a good chance he'll sign. If he sn't, your tax cut vanishes; the Senate will sus- n a veto, if the House doesn't.

Budget: Congress is far behind schedule on s one; only half the money bills are through n the House; the Senate has passed only one.

G.O.P. leaders concede they won't live up to ir promised $5 billion-$6 billion cut in Tru- n's $38-billion budget. Cut may total $3 bil- n to $4 billion.

Export-import, priorities: Neither house has rted action; G.O.P. is in no hurry to extend these tover war controls.

Truman wants a year's extension of export ntrols, and of import controls and allocation wers on specified scarce commodities such as tin, s and oils, manila hemp, quinine.

He also seeks priority on export orders to firm up foreign aid programs or foreign production for American purchase. G.O.P. is particularly sour toward this.

Rents: House has passed extension of controls through '47, tied to virtual scrapping of Patman veterans housing law; extension legislation has been blocked on Senate calendar since Apr. 3.

Democrats charge the G.O.P. is waiting until the June 30 deadline eve to present Truman with the choice of a "bad bill" or no control at all.

RFC: Senate and House Banking committees are each drawing up legislation to keep RFC alive beyond June 30—but with strings tied to its future lending operations.

Ships and freight cars: Neither House has started action, although there have been committee hearings.

G.O.P. leaders aren't yet impressed with Administration claims that: (1) Rail allocation is the backbone of the foreign grain program; and (2) withdrawal of government-operated tankers hauling a million bbl. of oil daily would upset world supply, create East Coast shortage.

Copper-lead-zinc: Western mining bloc is pushing five-year, $80-million annual continuation of wartime premium price plan.

It's waiting its turn on House debate schedule. Senate hasn't acted.

•

STEEL "GRAY" MARKET INQUIRY is not going to wind up with a Washington-imposed cure-all.

The Senate Small Business Subcommittee's hearings are simply an airing of abuses that can crop up in a free market when supply is far short of demand.

Chairman Edward Martin's idea is that the inquiry's function is to point up to business that obligations go with freedom from government regulation.

His solution: Industry should find ways to police itself once the problem is laid bare.

•

THE COAL STRIKE DEADLINE has been pushed back a week—to July 7.

Government's action giving the miners their annual vacation beginning June 28 has this effect.

It means you can firm up plans based on no major interruption in coal production this year.

Because it brightens prospects that Lewis and most operators can come to terms in time.

Government people who have been watching the first rounds of contract talks look for negotiations to drag along to the deadline—as usual.

But they expect a contract to be worked out.

•

DON'T BE UPSET by drastic patent proposals in the Justice Dept. report you'll be reading about sometime next month.

Truman has okayed release of the report. But he's not interested in giving it further support.

The study has been three years in the writing. It covers handling of patents on government-financed wartime research.

Basic finding: From now on, government should take patents on such work, pick licensees who'll buck monopoly.

Army and Navy objections bottled up the report in the White House for six months—and will prevent any action based on it. Military services want to continue letting their contractors retain patent rights.

•

C. I. O.'S POLITICAL ACTION COMMITTEE is working hard to develop effective local machines in city campaigns this year.

It's their foundation stone for undertaking to build a strong national organization for the '48 presidential elections.

The $1-a-man drive—which flopped badly last year—has been revived at the municipal level. Also, P.A.C.'s executive board has been enlarged—to add Murray, Reuther, three other C.I.O. union presidents.

So far, P.A.C. claims victories in four cities this year—Hoboken and Passaic, N. J.; Minneapolis; and Oakland, Calif.

•

ONE RESULT of talk about underground plants: Everyone who digs a hole in the ground is beginning to think he has a multipurpose project chargeable to national defense.

For example, Bureau of Mines points significantly to the fact that its oil shale experiments at Rifle, Colo., include a convenient chamber 300 ft. underground. Also, an oil-soaked waterproof roof.

•

WHICH U. S. CHAMBER OF COMMERCE release do you read?

Last week, C. of C. denounced prophets of recession as "seeking to steer public opinion . . toward deficit spending."

This month's news letter of the chambe[r's] distribution department reported its estimate th[at] (1) Output of manufacturers is at annual rate [of] $180 billion; but (2) current income levels w[ill] absorb manufacturing output of only $155 billi[on].

•

ELECTRIC UTILITIES are moving in on go[v]ernment-financed power co-ops—buying up th[eir] energy sources.

Last month, southwestern utilities acquir[ed] the war-built Ark-La transmission line.

Now, Empire District Electric Co. bids f[or] lines and generating plant of a Missouri co-o[p]. Next, Texas companies will offer to buy Braz[os] River transmission co-op facilities.

Due to lack of operating know-how, ma[ny] co-ops generating power are in tough financi[al] shape. And REA's public-power wing dares n[ot] sink new funds into such operations with an eco[n]omy-minded Congress watching.

•

PINK SLIPS were handed to an estimat[ed] 100,000 federal employees this week.

Additional thousands got notice of impendi[ng] demotions, effective July 1.

Government workers must be given 30-da[y] dismissal notice. So, this week was deadline f[or] agencies to cut down forces to meet prospecti[ve] G.O.P. cuts in Truman's budget.

Not all the dismissals will "take," howeve[r]. Some of the let-out bureaucrats will catch on wi[th] other agencies. Senate restorations of House cu[ts] in funds will permit recall of others.

•

• Richard R. Deupree, president of Procter [&] Gamble, is retiring soon as chairman of the Army[-] Navy Munitions Board. Likely successor: T. [J.] Hargrave, president of Eastman Kodak. . . .

• Democratic senators believe they've found th[e] issue they've been looking for to justify a speci[al] session of Congress in the fall—the $5-10-billi[on] foreign aid program now being put together b[y] Secretary Marshall's staff. . . .

• AAF and the aircraft industry have written dow[n] from 5,000 to 3,000 military planes a year as the[ir] claim for the minimum required to keep the U.[S.] safe and the industry solvent. They still have t[o] sell even the lower figure to Congress. . . .

• Applications by veterans for government-guaran[-] teed home loans jumped in April.

THE COVER

Throughout World War II and the months that followed, the Great Lakes states have been making new economic history.

Here is a region that comprises over a fifth of U. S. population, income, and sales. It has had the distinction for decades of being the center of the nation's population. Its primary business distinction, though, lies in the size of its heavy-goods industry. Two-fifths of all U. S. durable goods are produced in this territory.

• **Steel Concentration**—Rimmed about the big inland lakes are America's greatest aggregations of makers and users of steel. For in the Great Lakes region is located 45% of America's steel ingot capacity. And 50.5% of the country's steel production is consumed by the manufacturing plants of the area.

The cover chart shows how closely matched were the incomes of the Great Lakes states and the entire nation from 1939 to 1946. Sales likewise were moving in parallel grooves. But the similarities end there.

On most counts, the five-state area is anything but typical of the country as a whole. And its economic activity in recent times has been contrary even to its own pattern for prior years.

• **How and Why**—How the Great Lakes trend ran and why it ran that way is therefore a pertinent and somewhat perplexing topic. It is fully discussed in the second of a series of regional marketing studies (Report to Executives: "The New American Market," page 41).

This report series is designed to give an up-to-date market analysis, fully fortified with Business Week's own statistics, of the whole nation. The 48 states have been divided into seven groups or regions. Each one is being surveyed separately; the results are being printed once a month.

When all the regional reports are published, Business Week will fit the pieces together into a national marketing study. The final report, therefore, will be an assembled jigsaw puzzle of the map of America.

• **Avid Demand**—The seven states of the Far West were analyzed in the first appraisal of the New American Market (BW—Apr.12'47,p43). Intensity of interest in that report is indicated partially by the total requests for reprints. As this issue of Business Week goes to press, more than 32,000 copies have been ordered. That is the largest volume of orders ever received for reprints of any report published. They're still coming in.

•

The Pictures—Acme—15, 17-24, 73, 81, 82; Press Assn.—21, 68, 88; Int. News—34; Red Heppner—29; Lincoln Electric Co.—52; Conrad Eiger—63; McGraw-Hill World News—81.

USINESS OUTLOOK

Service

Metals are not all in adequate supply as yet, but there is growing evidence that the squeeze is relaxing. Scrap prices tell the story.

Forecasting isn't the business of the scrap markets, but they often serve that purpose. Demand for scrap falls off whenever users can get fairly adequate supplies of primary metals. Prices, in turn, weaken.

There is more than a little evidence of such a situation now.

•

Steel mills, generally speaking, are comfortably fixed for scrap. Prices the junkyards are getting seem to have stabilized around \$30 a ton, close to \$10 down from earlier quotations.

An even more striking supply shift has taken place in aluminum. Secondary aluminum prices turned down several weeks ago. Now producers find primary metal in ample supply, at least temporarily (page 17).

Prices of scrap copper this week were soft. This probably means that users have built up more comfortable inventories of the red metal.

•

Copper markets may have looked a mess right after the import tax came off (BW—May10'47,p107). But that was just a taste of things to come.

Foreign copper moves at 24¢ a lb. Kennecott, however, continues to stand pat at 21½¢. Still other companies deliver on open contracts at Engineering & Mining Journal's weighted average prices.

American Brass, Anaconda subsidiary, meanwhile has advanced prices on its products to levels which the trade sees as reflecting 23¢ copper.

And prevailing prices on brass and bronze products have been cut again to a point about equivalent to 19½¢ a lb. for contained copper.

Instability is obvious here. Next major price move should be down.

•

Use of copper has fallen from the peacetime record levels that marked the turn of the year. But demand still is very large.

Consumption in April, for the third consecutive month, held around the 120,000-ton level. That rate necessitates imports of more than 30,000 tons a month to supplement domestic output of nearly 90,000.

•

More tinplate will be available for packaging this year than had been expected earlier. That's not because there is more tin or steel; it's because canners of fruits and vegetables will take less.

Packers' and wholesalers' shipments of canned foods for the first quarter of this year were off 20% from last. Packers still had 95,000,000 cases on hand and wholesalers had 98,000,000.

Fears of oversupply are certain to cut this year's pack.

Yet that doesn't mean plenty of tin. Congress will extend allocation authority beyond the June 30 expiration.

•

Automobile makers would boost production of cars and trucks toward 6,000,000 to 7,000,000 in almost no time if materials could be had.

As things stand, they have no idea when they will be able to make their postwar goals. The industry got up to a rate of 5,500,000 units briefly in March, but that was overdrawing on steel (BW—Mar.29'47,p9).

General Motors probably would need over 3¼ million tons of steel annually to use all its capacity. It will miss by perhaps 25% in 1947.

Flat steel is the limiting factor on autos now. But if this were more

plentiful, castings probably would run short; if not castings, something else. Meanwhile, the industry's employment of actual production workers has stabilized just under 800,000, very nearly double 1939.

•

Were layoffs in several consumers' soft-goods lines greater than the normal seasonal pattern from February to March?

There's a kind of problem that will rise more and more to plague statisticians as industry begins to work off its backlog.

Ever since 1940, the press of orders has wiped out seasonal swings.

As one line after another gets back on a replacement basis, however, familiar patterns will come to light again.

Apparently woolens, leather, meat, and tobacco are lines that have caught up with current orders. Their employment is now following a normal seasonal pattern—hiring rate down and layoffs more frequent. This is revealed in the latest check by the Bureau of Labor Statistics.

•

Figures on orders and shipments confirm the fact that manufacturers are beginning to catch up with their order books (charts, page 19).

This is much more conspicuously true in soft goods than in hard. But even in durables, shipments went a short way ahead of new orders late in 1946, and the gap widened rather sharply in March.

The volume of new orders now becomes a more important indication of what's ahead for any given concern than does business on the books.

•

The figures on value of manufacturers' shipments point to sharp differences between the volume of business in soft goods and in hard.

The Industry Survey put out by the Dept. of Commerce shows the first quarter of 1947 up 81% for durable goods compared to a year ago. Price markups for this category are computed at 30% in the same interval.

Soft goods score less of a gain in dollar volume—33%. That's still very good, but it's more than washed out in units by a 37% price rise.

Since March, both prices and unit volume have been going down in soft goods. That gives you some idea why hard goods would have to post stupendous gains to prevent an over-all decline in activity.

•

Silver seems to be in for still more trouble. Australia is the latest to reduce the silver content of its coinage.

Object is to get metal to pay back the 11,000,000 oz. advanced by the United States during the war. Content is cut from 92½% to 50% (substantially less drastic than earlier cuts by England and India).

Then the rumor that India was in the market for 10,000,000 oz. proved baseless. That dropped the New York price 2¢ an oz. on Monday.

•

Refining, transportation, and storage of petroleum promise to give plenty of headaches over the rest of this year.

The industry leads off with a major achievement. It has produced a record-breaking average of over 5,000,000 bbl. a day for three weeks. Best previous record, even in wartime, was 4,944,000 bbl. a day.

The question now becomes: Can this rate be kept up and, if so, can it all be refined? And, if refined, how will it be hauled and stored.

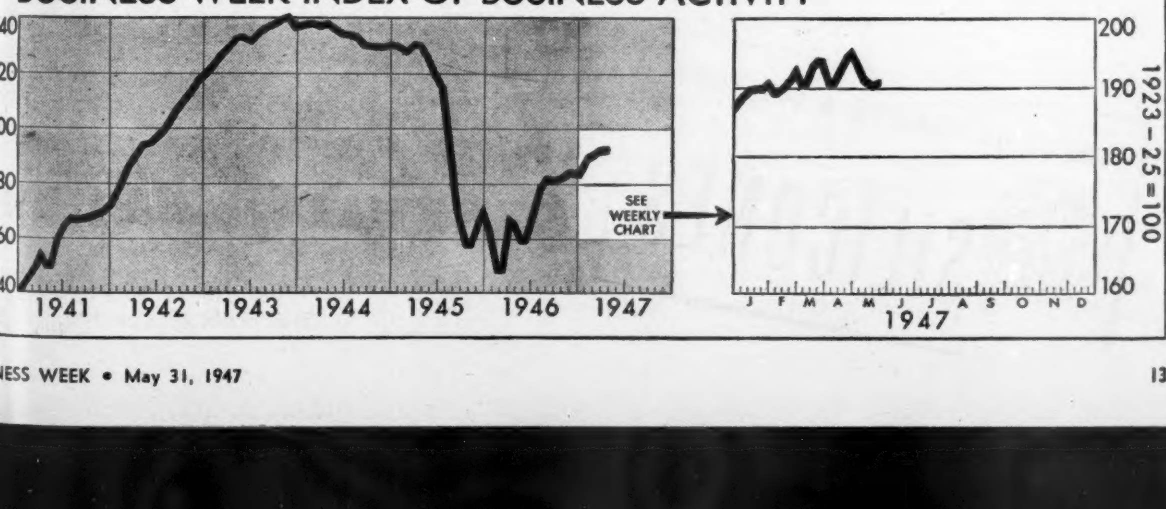
Industry men began to worry about refining capacity back when daily crude output was 100,000 bbl. lower than now (BW—Apr.5'47,p10).

IGURES OF THE WEEK

	§ Latest Week	Preceding Week	Month Ago	Year Ago	1941 Average
HE INDEX (see chart below).	*191.1	†190.8	195.9	157.9	162.2
ODUCTION					
eel ingot operations (% of capacity)	95.4	96.1	96.4	43.6	97.3
roduction of automobiles and trucks	91,241	†77,890	102,447	47,945	98,236
ngineering const. awards (Eng. News-Rec. 4-week daily av. in thousands)	$17,907	$18,422	$17,758	$19,128	$19,433
lectric power output (million kilowatt-hours)	4,663	4,616	4,668	3,942	3,130
rude oil (daily average, 1,000 bbls.)	#	5,008	4,930	4,759	3,842
ituminous coal (daily average, 1,000 tons)	2,162	†2,193	2,142	1,493	1,685
ADE					
iscellaneous and L.C.L. carloadings (daily average, 1,000 cars)	85	84	85	71	86
ll other carloadings (daily average, 1,000 cars)	63	63	59	44	52
oney in circulation (Wednesday series, millions)	$28,116	$28,134	$28,105	$27,961	$9,613
epartment store sales (change from same week of preceding year)	+11%	+13%	−6%	+38%	+17%
usiness failures (Dun & Bradstreet, number)	102	88	66	21	228
CES (Average for the week)					
pot commodity index (Moody's, Dec. 31, 1931=100)	396.5	399.9	400.2	280.1	198.1
ndustrial raw materials (U. S. Bureau of Labor Statistics, Aug., 1939=100)	262.3	262.9	272.9	173.3	138.5
omestic farm products (U. S. Bureau of Labor Statistics, Aug., 1939=100)	342.7	339.8	334.8	251.5	146.6
inished steel composite (Steel, ton)	$69.82	$69.82	$69.82	$63.54	$56.73
crap steel composite (Iron Age, ton)	$30.42	$29.50	$29.92	$19.17	$19.48
opper (electrolytic, Connecticut Valley, lb.)	#	22.413¢	21.500¢	12.000¢	12.022¢
heat (Kansas City, bu.)	$2.69	$2.64	$2.69	$1.87	$0.99
ugar (raw, delivered New York, lb.)	6.19¢	6.19¢	6.19¢	4.20¢	3.38¢
otton (middling, ten designated markets, lb.)	35.89¢	36.00¢	35.47¢	27.73¢	13.94¢
ool tops (New York, lb.)	$1.379	$1.389	$1.537	$1.330	$1.281
ubber (ribbed smoked sheets, New York, lb.)	19.00¢	†20.90¢	25.00¢	22.50¢	22.16¢
ANCE					
0 stocks, price index (Standard & Poor's Corp.)	112.5	110.7	114.7	150.8	78.0
edium grade corporate bond yield (30 Baa issues, Moody's)	3.19%	3.18%	3.15%	3.03%	4.33%
igh grade corporate bond yield (30 Aaa issues, Moody's)	2.53%	2.53%	2.53%	2.50%	2.77%
all loans renewal rate, N. Y. Stock Exchange (daily average)	1¼-1½%	1¼-1½%	1¼-1½%	1.00%	1.00%
rime commercial paper, 4-to-6 months, N. Y. City (prevailing rate)	1%	1%	1%	¾%	½-⅝%
NKING (Millions of dollars)					
emand deposits adjusted, reporting member banks	39,723	39,403	39,547	38,727	23,876
otal loans and investments, reporting member banks	54,893	54,953	55,200	64,160	28,191
ommercial and agricultural loans, reporting member banks	10,762	10,859	10,967	7,467	6,296
ecurities loans, reporting member banks	1,807	1,799	1,582	4,140	940
. S. gov't and gov't guaranteed obligations held, reporting member banks	34,580	34,506	34,865	45,965	14,085
ther securities held, reporting member banks	3,466	3,479	3,553	3,383	3,710
xcess reserves, all member banks (Wednesday series)	770	810	672	700	5,290
otal federal reserve credit outstanding (Wednesday series)	22,071	22,233	22,230	23,132	2,265

reliminary, week ended May 24th. †*Revised.* ‡*Ceiling fixed by government.* §*Date for "Latest Week" on each series on request.* #*Not available at press time.*

BUSINESS WEEK INDEX OF BUSINESS ACTIVITY



BUSINESS WEEK

NUMBER 926

MAY 31, 1947

Small Business—How Strong?

First-quarter earnings indicate some firms still do well, but others just hold their own as competition from big companies bites into sales. Strong asset position may be a saving factor.

Small businessmen have a chip on their shoulders again. They can't be sure yet, but they suspect that they are losing part of the ground they gained during the past five years. Some say they already can feel their big competitors breathing down their necks.

• **The Payoff**—Not that little business hasn't shared in the postwar boom: Nine out of ten small operators are doing fine these days. Like the big companies (BW—May3'47,p15), they are knocking out the highest earnings in their history.

But in the long-run the payoff question for a small businessman is not how much he earns at any particular time. It is how he stands in relation to his competition—whether he is moving forward or backward. With this in mind, almost every small company now is anxiously matching up its earnings record for 1946 and the first quarter of 1947 with the reports of the big corporations in its field.

• **Figures Lacking**—There isn't enough evidence yet to support any conclusion about how small business is doing collectively. Most little companies publish no statements, confide their earnings figures only to their bankers.

The statements that have been published suggest that while the general picture may be as good for small business as for large, it probably is spottier. A tabulation (page 16) of medium-sized companies (profits under $300,000 a quarter) shows a wider range of variation than a similar lineup of big-timers (BW—May3'47,p16).

Trade gossip and field reports bear out about the same thing. Many small operators say they are going ahead faster than ever now that material shortages and labor troubles are clearing up. But there are plenty of others who think they are just holding their own, or possibly even falling behind their competition.

• **Some Gains**—On the West Coast, for instance, one small petroleum company rang up a net profit of $101,445 in the first quarter this year, against $14,964 in the same period last year. Another operator in the same line bucked up its net from $53,808 in the first three months of 1946 to $193,536 in 1947.

But also on the West Coast, a manufacturer of diesel engines came out with a much smaller gain—from $55,869 in the first quarter of 1946 to $71,675 in 1947. Actually, the company's sales rose from $1,366,866 to $2,128,410, but increased expenses took a big bite out of the extra profits.

• **Some Losses**—In one upstate New York town, three metalworking plants showed profit increases running from 50% to 100%. But in Ohio, one small appliance manufacturer watched his market dry up as better-known brands came back into production. He wound up the year with a loss.

Another small Ohio firm tells this story: "We made airplane parts on subcontract during the war. We got turned loose right after V-E Day and started making a line of carpet sweepers and light household items. We hit the market with them early and did fine through most of 1946. Then the old-line companies got back in. Now we can't give the damn stuff away."

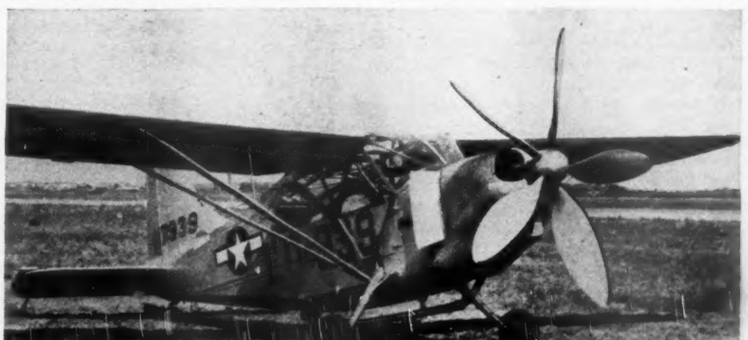
Reports of this sort provide plenty of ammunition for small business spokesmen, but they are likely to be misleading. The small companies that are ringing up big earnings don't advertise it. They say, "We're doing all right," and leave it at that.

• **Still Over Prewar**—Even if small business is slipping a little, it still is in a much stronger position, incomewise, than before the war.

For the past few years, Federal Reserve Board economists have been keeping tabs on a sample of small firms, obtaining the data from the credit files of banks.

In the group they checked, durable goods manufacturers with assets under $250,000 earned 12% on net worth in 1940, after taxes. By 1944, their earnings were up to 22% on net worth. The following year, they held the same in spite of the general drop in business incomes at the end of the war. Durable goods producers with assets of $10 million or more were also making 12% on net worth in 1940. By 1944, they were down to 10%, and in 1945, they had fallen to 8%.

Nondurable manufacturers with less than $250,000 assets went from 10% on



AIR TRANSPORT LIFT: SILENT FLIGHT

The soft overhead swish that aircraft experts heard last week may have loud repercussions: Cities which have vetoed close-in airports because of the noise may change their tune. For at Langley Field, Va., a "silent" plane—long a research goal (BW—Apr.12'47,p36)—flew with only a fraction of normal noise. What quieted this Stinson L-5 were: (1) a five-bladed, slow-speed propeller, geared to 1,000 r.p.m. instead of the usual 2,000 r.p.m.; and (2) an engine-exhaust muffler. The experimental equipment, built by the National Advisory Committee for Aeronautics, may impair takeoff and climb. But apparently it won't cut cruising speed.

First-Quarter Earnings of Medium-Size Firms

Here is how the first-quarter net profits of a group of smaller firms (quarterly profits under $300,000) compare with earnings in the first three months of last year:

	1st Quarter 1947	*1st Quarter 1946*
ACF-Brill Motors	$171,384	D$438,017
Air-Way Elec. Appliance Co	194,680	20,213
American Hair & Felt Co	207,983	128,197
American Machine & Metals Co	191,856	79,088
American Molasses Co	145,778	166,739
American Seating Co	49,803	D765,452
American Writing Paper Co	179,926	24,475
Atlas Imperial Diesel Engine Co	71,675	55,869
Atlas Tack Corp	74,199	32,849
Automatic Canteen of America	213,567	122,795
Belding Heminway Co	248,413	177,135
Birdsboro Steel Foundry & Machine Co	126,797	D322,088
Booth Fisheries Corp	50,393	86,614
Butler, P. H. Co	134,512	83,254
Byron Jackson Co	235,968	162,850
Campbell, Wyant & Cannon Foundry Co	288,046	58,027
Catalin Corp. of America	145,859	163,870
Central Foundry Co	205,470	D48,147
Century Ribbon Mills	96,255	85,014
Chicago Railway Equipment Co	108,158	D75,976
Consolidated Laundries Corp	90,612	117,156
Derby Oil Co	197,473	69,522
Di-Noc Co.	37,000	25,798
Dr. Pepper Co	208,000	290,000
Eastern Stainless Steel Corp	D61,690	179,312
Federal Bake Shops, Inc	194,078	220,942
Gabriel Co.	115,968	51,564
General Precision Equipment Co	257,143	280,552
Grayson-Robinson Stores	47,743	182,865
Greenfield Tap & Die Corp	244,928	167,730
Haloid Co.	82,638	37,530
Hamilton Watch Co	247,446	8,963
Holland Furnace Co	D118,598	D70,990
Illinois Zinc Co	170,584	40,472
Industrial Brownhoist Corp	148,405	8,990
John R. Thompson Co	71,484	136,882
Kalamazoo Stove & Furnace Co	41,260	D28,373
Kingston Products Co	166,974	54,293
Lily-Tulip Cup Corp	285,683	171,475
National Fireproofing Corp	130,126	29,549
National Malleable & Steel Castings Co	D51,641	D191,000
Nehi Corp.	190,222	222,143
Nestle-Lemur Co.	36,042	52,272
N. Y. & Honduras Rosario Mining Co	130,022	274,812
Nopco Chemical Co	236,048	200,487
Pennsylvania Coal & Coke Co	47,436	97,792
Regal Shoe Co	10,201	159,950
Root Petroleum Co	260,421	68,250
Seeman Bros.	138,110	163,476
Silex Co.	157,000	94,000
Standard Forgings Corp	141,579	965
Steel Products Eng. Co	D11,476	25,258
Universal Con. Oil	193,537	53,810
Virginia Iron, Coal & Coke	13,060	8,840
Webster Tobacco Co	120,303	97,512

D: deficit.

net worth in 1940 to 28% in 1944, then slipped back to 23% the next year. Firms in the $10-million-and-over class were making 9% in 1940, 11% in 1944, and 10% in 1945.

• **Comparison**—Another way of getting at the same thing is to compare changes in total corporate income with the gains scored by a representative group of large companies.

In 1939, total corporate earnings after taxes ran around $4,868,000,000. In 1946, they were in the neighborhood of $12 billion, or two and a half times the prewar level.

Meanwhile, the income of 629 large corporations, tabulated by the Federal Reserve Board, had risen from $1,465,000,000 in 1939 to $2,565,000,000 in 1946. This figures out to an increase of 75%.

• **Advantage in Timing**—During the war and for the first year or so after, small business had the edge over the bigtimers on half a dozen points. While big producers were sewed up on low-profit government work, the little men got a whack at ravenous civilian markets—provided, of course, they could get materials. If they had government contracts, they often made out better on renegotiation, which applied only to those companies with more than $100,000 (later $500,000) worth of war business.

Small producers also got special benefits under the tax laws. In the postwar wave of strikes, they were not hit so hard as the big companies. OPA, with one eye on Congress, usually dealt with them more gently.

With production and consumption gradually working back to normal, most of these advantages are evaporating. Sooner or later, their loss probably will show in the income statements.

• **Liquid Assets**—But during the time it was riding the wave, small business was piling up assets. It now has a sizable war chest in the form of liquid assets. By some standards, it still is short of working capital (BW—May24'47,p19), but it is far better off than it ever was at any time before the war. This, too, could make a difference in future income statements.

NEWBURYPORT PLAN

The carnival aspects of the much-publicized Newburyport Plan (BW—May3'47,p17) are over.

But backers of the Massachusetts community's price-cutting project insist that the plan itself is still going strong. Such was the contention of Norman J. Randell, executive secretary of the sponsoring Northeastern Essex County Development Committee, after a press association story last week said that the Newburyport Plan was dead.

Indignantly, Randell declared that the reporter had dropped into town right after a northeaster had blown down the banners. Moreover, Randell continued, the news man had talked to the wrong people—food and meat merchants who were the least cooperative with the plan.

Supporters of the Newburyport Plan claim that business has settled down to a volume that is 30% to 35% above normal, that 48% of the retailers are maintaining 10% across-the-board price cuts. Most of the others are said to be reducing prices on every item possible.

But the backers' most significant point is that the plan has brought the cooperation of several wholesalers and manufacturers. In some instances, this has enabled Newburyport stores to fix prices permanently at from 10% to 35% below normal. The two biggest department stores are advertising such cuts on 75% of their stock.

One manufacturer who has fallen into line is the Glendale Knitting Mills of Perry, N. Y. It has sent checks to all of its customers that are equivalent to 10% of the payments made on their last bills.

re Prices Fade

Western Auto leads break
12½% slash, then is quickly
owed by mass distributors.
Four still hold back.

he signs were unmistakable last : Passenger tire prices, wavering for ths (BW–Mar.15'47,p68), were on verge of a real tumble.

tting the Stage—Western Auto es, a mass distributor with 2,000 rs, had set the stage by trimming ist price 12½%. Reactions in the e were immediate. Sears, Roebuck o., long a leading contender in the enger tire field, announced a similar ction. Montgomery Ward & Co., gel, Inc. (which retails tires and s through its subsidiary, J. & R. or Supply), and a number of smaller panies soon swung into the price ing parade.

he break brought the retail price of popular-sized 6.00 x 16 tire down 12.95. This was 20.8% (exclusive xes) under the $16.10 list price for dard brands and tires of most oil panies. The suddenness of the drop ed up speculation of price wars niscent of those that made merdising history in the late 1930's.

Vestern Auto also was the first to roduce three lines of tires. They are: Davis De Luxe, cut from $14.80 to 95; the Davis Safety Grip at $13.95; Davis Super-Safety at $14.95.

o Stampede—The industry's Big r (United States Rubber Co., Good- Tire & Rubber Co., Firestone Tire ubber Co., and B. F. Goodrich) ad- ed that they were studying the sit- on. But they indicated that they not going to let themselves be peded into a price reduction on r standard brands.

Nevertheless, their dealers have been ing larger trade-in allowances for old and tubes. (In Providence, dealers have used this particular tactic that it gave business only a slight t.)

ther dealers have been using the come-on of a new tube free with tire. In Buffalo, one reputable er advertised: "Come in and buy e tires and we'll sell you the fourth ¢."

he Big Four manufacture 75% of passenger units made in the U. S. y sell to the automotive industry for nal equipment at about 40% less the retail list price. All of the Big r except Firestone make private ds—a business which accounts for a le chunk of total output. U. S. Rub- makes Western Auto's three grades Davis tires. Sears' tires, however, are made by a half dozen non-Big Four companies, including Armstrong Tire & Rubber Co.

• **The Closing Gap**—In Akron, the production center, the mass distributors' price cuts were viewed as further evidence of tire supply catching up with demand. Dealer inventories have been mounting for months; production has been racing ahead at all-time peaks. During the first four months of 1947, manufacturing was at the rate of 81-million passenger tires a year. That is 15 million above last year's record.

Industry spokesmen pointed out that this production capacity is nearly 60% above normal consumption. They feel that curtailment of manufacturing is virtually certain in the last half of 1947. In fact, cutbacks are already under way in some of Akron's huge plants. Layoffs so far have ranged from 100 to 1,000 workers.

• **No Surprise**—While tire executives were unaware that the retail chains were planning price cuts, they were not unduly surprised when they came along. At least one major tiremaker is said to have been eying a price cut when Western and Sears came out with their announcement of reductions in their tire prices.

But some of the companies viewed the price slashing as inadvisable at this time. Their reasons: (1) Production costs are rising; and (2) spring and summer are the year's best seasons for the sale of tires.

Nevertheless, as most experts in the industry see it, more market softening—and still further price concessions —are bound to follow, summer season or no.

Aluminum roofing makers find they have a buyers' market on their hands.

Lots of Aluminum

Demand for sheets falls below capacity; producers curtail output. Industry is optimistic over its long-term prospects.

Chalk up aluminum as the first major metal to enter a buyer's market.

For two years primary aluminum producers and rolling mills have been operating at top speed. Pent-up wartime demand, substitution of aluminum for other metals in even tighter supply, gave suppliers all the business they could handle.

• **Shutdowns and Slowdowns**—Now the pipelines are filled up. Current buying is on the basis of current consumption. The result:

Reynolds Metals Co. is "temporarily suspending" production at its Longview (Wash.) aluminum plant, which has a capacity of 60 million lb. of ingot a year. Smallest of Reynolds' ingot plants and the company's highest-cost producer, it will be rebuilt to improve efficiency and productivity. Operations may be resumed in about a year.

Aluminum Co. of America has curtailed production at its Alcoa (Tenn.) rolling mills.

Kaiser Co., the nation's third aluminum producer, found time to slow down a couple of departments in its Trentwood (Wash.) rolling mill for year-end inventory purposes. Full production is scheduled after the Memorial Day holiday.

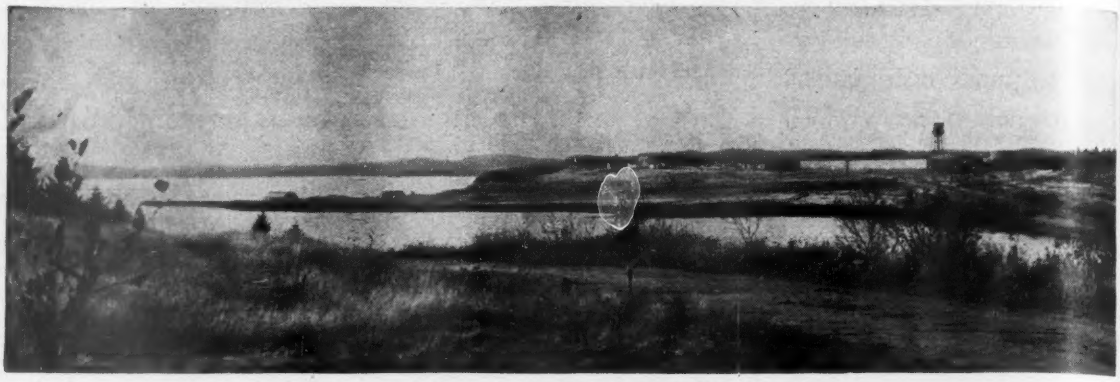
Reynolds also has decided it doesn't want the government-built rod and bar mill near Newark, Ohio. It had signed a letter of intent to lease the plant from WAA. Now it finds its McCook (Ill.) plant can meet the demand. Reynolds also has cut back on rolled products.

Sheet is the one type of aluminum now in easy supply. Output of extrusions is close to meeting demand. Castings are still short.

• **Housing Use Slackens**—Chief cause for the sheet surplus seems to be lessened call for aluminum for housing. Roofing and siding were big demand items. But stocks are pretty well built up now. And with lumber in better supply, many builders have less interest in aluminum.

Most people in the industry expect no weakening in primary aluminum prices, however. And the current drop in demand is coming much later than many had expected. They knew that, after the first flush of postwar demand, there was a limit to the number of aluminum pots and pans housewives would acquire, to the amount of aluminum summer furniture that could be

The Tide Is Running Out at Passamaquoddy



The last functional remnant of Passamaquoddy—perhaps the most controversial public works project of modern times—is going on the block.

• **The Whole Town**—What's up for sale is Quoddy's village (above), the model community built for work crews which were to harness the Bay of Fundy's phenomenal tides.

The power project received the late President Roosevelt's blessing and $7 million in relief appropriations in 1935. Congress killed it in 1936. After that the village was used by the National Youth Administration. During the war the Seabees had it; then Army Engineers took over. Now the property is in the hands of War Assets Administration to be auctioned soon. However, in Maine's Washington County, Quoddy is strictly a Chamber of Commerce proposition. No purchaser would be more welcome than a strong, nonseasonal industry.

• **Gone, Not Forgotten**—Key salesman is Arthur Unobskey, who owns a department store in nearby Eastport, another in Calais (25 miles north). To him and fellow merchants Quoddy has been a major industry since the late Dexter Cooper, engineer, won presidential support. For it would take myriad cans of the area's sardines or baskets of blueberries to match what Quoddy has given in local trading.

Unobskey's efforts have brought provoking nibbles. One shoe firm sent agents. They saw the drill hall, a 600-ft. long structure suitable for a factory. They examined the houses (below) which can serve 300 families, the dormitories with room for 500 individuals.

They contemplated the power plant, the 200-bed hospital, the airport, the snug harbor, then went away. They haven't been heard from since.

• **Fire and Hope**—Meanwhile reverses make Quoddy loom more important than ever in Eastport's economy. Fire recently ravaged a third of the physical plant of that town's sardine industry. And there's talk that Quoddy might fill that breach—temporarily at least.

Quoddy's few remaining firemen fought the blaze, a fact to give Down Easters a talking point. They'll stand no talk of Quoddy being a ghost town. "Who ever heard of a ghost town with a fire department?" they ask.

sold, to the quantity of aluminum roofing sheet that farmers would continue to purchase.

• **Long-Term Optimism**—Now they look for something approaching a stable market—a market that they confidently believe will enjoy a steady, healthy growth over the years.

Supporting this belief, they point to:

• Continuing demand for foundry items.

• The expanded market for aluminum foil as a packaging material.

• The large growth in use of aluminum wire as a substitute for copper.

• The increased call for aluminum pigment for paints.

• And, as a clincher, the fact that Alcoa is spending $30,000,000 on a new rolling mill at Davenport, Iowa. Alcoa hopes to start operations there before the end of the year.

STATE PRICE PROPS

As the buyers' market approaches, state legislation propping up prices is quietly being enacted.

Colorado's Gov. William Lee Kn[...] has just signed a bill outlawing un[...] trade practices in cigarettes (BW—A[...] 26'47,p76). From now on minim[...] markups on cigarettes of 2% at wh[...] sale, and of 6% at retail, are comp[...] sory in the state.

In Missouri, a fair-trade bill (BW[...] Apr.26'47,p72) has made further pr[...] ress. The House has passed it and s[...] it on to the Senate. If enacted, the [...] would make Missouri the 46th state [...] permit manufacturers to fix the re[...] price of their products.

…onomists Look Ahead

Experts serving business disagree on details of extent and …h of price drop, but they concur there'll be no repetition of … price and production decline of the 1920-21 recession.

…ient Greeks might have sought …swer at Delphi. But modern in…alists, seeking a solution to the … of what's ahead for business, turn …etter informed source: the com…al economists.

…sensus—For a clear picture of …this group thinks, Business Week … the brains of a number of the na… topflight analysts last week. They …ented trade, industry, finance, and, …nomists will, they tended to dis…on details. On one broad conclu…however, all agreed: Business is in … period of orderly readjustment; …o sharp decline in prices and pro…n, like that of 1920-21, is in …

…re is how the business economists …up on important questions:

…ction: About half looked for an …al decline of no more than 10% …% from the record high produc…f recent months. And many lines …icularly durable goods—are not ex… to join this downward parade …late 1947 or early 1948. The other …xpected something deeper in the …f an over-all reduction in output …aps 15% to 20%.

…: A significant split developed … One group—chiefly from finance …eavy industry—saw nothing more …a reduction of 10% to 15% in …holesale price average. Even this … be concentrated principally in … food, and textile items. But an …y large group, drawn mainly from … and consumer goods firms, had …erent idea. These analysts antici… a drop of 20% to 25% in whole…rices.

…ng: Almost all the economists …ht that general business indicators … the verge of starting downward. …w thought this journey already … way. But several from heavy in… doubt that the start will really … until early 1948.

… one critical item opinion was …mous: Whatever recession might …p, it should be shortlived. The …swing in production is expected …rk itself out in 12 months. In … the rebound will take longer—…ps 18 months. At any rate, the …ity looked for production and em…ent to swing back upward about …948.

…perience Shades Opinion—The col… judgment covers numerous shades …inion. Each shading appeared col…by the experience of the business in which the analyst is primarily active. On the troublesome question of prices several views came to light:

• F. D. Newbury, vice-president and economist of Westinghouse Electric Corp., was acutely aware of the rise in wage and material costs in his industry. Hence he anticipates no general decline in durable goods prices this year.

• Lionel D. Edie, head of the economic advisory firm that bears his name, attached more weight to the tremendous expansion in the supply of money since 1939 (about 220%) than did most economists in trade or industry.

Edie stressed the powerful support this greatly enlarged money supply gives to prices. He believes the average of wholesale prices in 1948 is not likely to be more than 10% under the current level, that the postwar "normal" may well settle down around that point.

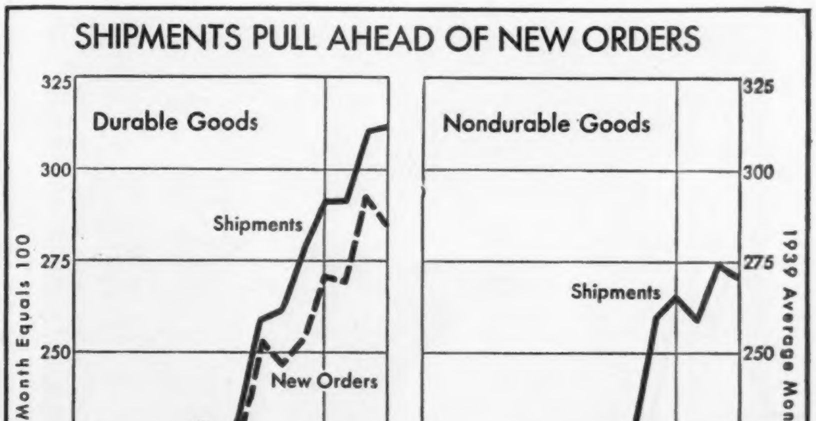
• Upholding the opposite end of the price picture was the economist of one of the nation's largest department stores. He foresaw a price decline of as much as 25%, carrying prices back to the levels of OPA days. A reduction on this order cannot be limited to farm products and raw materials alone.

Industrial prices, he confidently expected, would also back down substantially. These include items like heavy equipment, whose prices have advanced much less than the average. He looked for downward price adjustments to continue for many months after industrial production has touched a low and moved higher.

• Several economists believed any severe drop in prices would entail heavy inventory losses and drastic cutbacks in production.

• **Question of Judgment**—All economists were careful to point out that differences within their fraternity involve questions of individual judgment on matters that can't be answered precisely.

One problem—inventories—worries



Manufacturers are beginning to catch up with the "pent-up demand" everyone has been talking about. This can mean one of two things: (1) Distributors now can get quick delivery to replace merchandise as it moves, hence are not plying producers with new orders; or (2) we are overproducing at a rate which spells trouble. The gap between orders and shipments of soft goods might indicate the latter. In hard goods, there is no way of telling until we find out if the March dip points a trend in new orders.

business economists less than it did six months ago. Most of them admit that the inevitable slowdown in business spending for inventory is an important cause of the letdown now appearing in some lines. But nothing like the speculative buying for inventory that followed World War I was present in 1946. As a result no general liquidation of stocks at bankruptcy prices is anticipated.

On one other important question business economists seem fairly well agreed. That question is: What critical spots will make the situation better or worse than now expected? Two broad fields in which no severe decline has been anticipated are construction and business equipment. Investment in these fields has been running at an annual rate of $25 billion.

But now construction is showing a tendency to weaken. The Dept. of Commerce reports that spending for business equipment is expected to drop slightly in the second half of 1947.

• **If**—Business economists said they have taken these factors into consideration in making their present predictions. But they have remained confident that this type of spending will continue relatively high. If it doesn't, department stores and soap manufacturers will feel the result along with machinery producers.

Kaiser Wants Cut In Fontana's Debt to RFC

At the moment, Washington observers don't think too highly of Henry Kaiser's chances of getting the cut he has requested in the amount he owes the government on his Fontana (Calif.) steel mill.

Kaiser's plea is based on the contention that he got the raw end of the deal when War Assets Administration sold U. S. Steel Corp. the $191-million Geneva (Utah) steel plant for $40 million. He thinks the Reconstruction Finance Corp. ought to give him as good a break on Fontana. Otherwise the latter, with its much higher capitalization, will be at a competitive disadvantage.

• **Two Loans**—RFC originally lent Kaiser $112 million to build Fontana. After the war it lent him another million to improve the facilities. It adjusted the debt moderately.

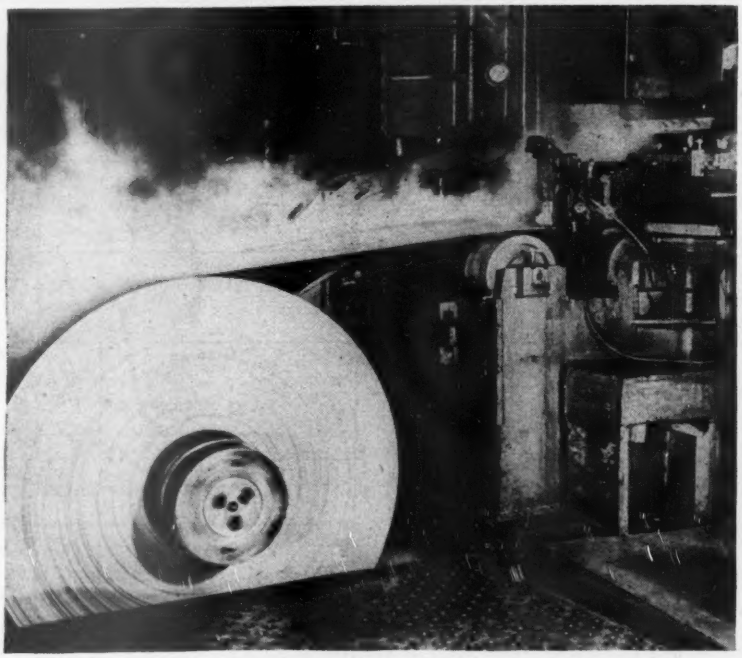
Now Kaiser has asked that the be cut to about $38 million, and he be credited with almost $18 m he has already paid in principal an terest. That would bring his p debt to just over $20 million.

• **Up to Congress**—Some RFC o sympathize with the tough comp spot in which Kaiser was put by W cut-rate sale of the Geneva faci But without some sign of approval Congress, they dare not—short of ruptcy or default—waive what ap to be a collectible loan.

That puts the final decision G.O.P.-controlled Capitol Hill. An Republican legislators tend to r Kaiser as a New Deal favorite wh trying to get back to the public tr

A hint as to the reception his will get was given last week by Styles Bridges. On hearing the bi a reduction, Bridges termed it "un able gall," said Kaiser's probable was "to pull him out of the awful he has gotten into in connection his manufacture of automobiles." (day Kaiser said that Bridges had torted the facts, that Kaiser-Frazer operating successfully, and that was no connection between it and tana, anyhow.)

• **Influential Backing**—There is bright spot in the picture for K The Steel Committee of the We States Council is carrying the ba him in Congress. This federatio western chambers of commerce is vinced that the more cheap steel is duced in the West, the better West's industrial prospects. The g has already proved its mettle by le the campaign that got Justice Dept proval of the Geneva deal over the tests of the Antitrust Division.



ROLLING ALONG AT NEW SPEEDS

Designed to turn out steel strip at a mile-a-minute clip, a new rolling mill (above) is expected to boost Weirton Steel Corp.'s output of tin mill products by 50%. The mill is located in the Weirton (W. Va.) plant, will produce strip in gages of 0.006 in. to 0.015 in., suitable for tinplate. United Engineering & Foundry Co. built the machine which is claimed to be one-third faster than any similar unit, and about three times as fast as most cold reduction mills. First stand in the five-stand mill has a speed of 650 ft. per min., the last will run at 5,000 ft. per min.

G.E. LAMPS GOING UP

The retail price of General Ele lamp bulbs is rising between 5% 6%, on the average, effective June

The company explains that ma and labor costs have gone up so far it can no longer absorb the 5% fe excise tax on lamps—as it has been d since 1941. And it says that, exclu the tax, prices will still average a 5% less than prewar.

The increase will not be uniform some lamps for which there is demand the price-before-tax is cut. On another group it is raised; and on some it is not changed. For instance, the retail on a 60-watt lamp will not chan 100-watt lamp will go up 1¢. Co heat lamps will be slightly less, d mass-production economies; fluores will go up by the amount of the

Texas City: Progress on the Uphill Road Back

Texas City has lost no time mending what can be mended. A month after its disastrous explosion and fire (BW–Apr.26'47,p22) activity on its main business street is nearly normal —though some repairs are only temporary.

Going is slower on harder-hit Texas Ave., the old business section on the waterfront, but even here the report is: progress. Of some 15 stores in the area, about half are open at the old stand.

Clark's department store, the town's biggest, erected a big Quonset hut (above) to pinch-hit for its damaged building. June 15 is (maybe optimistically) the scheduled opening date for the old store

Buying is in about the usual volume—even a jewelry shop says business is good. An unlucky supermarket suffered a second disaster—rain, this time, which leaked through its patched roof, forcing a sale of damaged goods.

The Chamber of Commerce adds that the town is crowded with construction workers—on the alert for jobs.

extile's Ills Hit South

While production generally is still up, resistance against high ces, poor quality means squeeze on manufacturers. Hosiery, ol goods, and yarn hard hit. Only men's shirts go strong.

hen New England's woolen mills t into a slump (BW–Mar.22'47,), it was not a local or minor illness. disease spread quickly from one d of textile to another, reached down eastern seaboard to the South. Now letup in orders has caused a deep in textile production there.

ervousness—Southern mill men are ous primarily about the future. Cur- production is already off in most s. And growing resistance against prices and poor quality means that e prices which have stayed up will bably yield. With costs what they that can mean serious trouble for manufacturers.

he general feeling was summed up George A. Sloan, former president he Cotton-Textile Institute. Speak- before the recent convention of the erican Cotton Manufacturers Assn. Augusta, Ga., he cited "the down- d spiral" of the late 20's and early , and asked: "Have we got to ac- t such disasters as part of the order ature?"

is answer to the question was a re- ding no. The remedy he suggested much higher efficiency in manage- t and merchandising. This meant, aid, that mill men should give con- t attention to the problem of bal- ing the use of productive capacity with effective demand from the buyers.

• **The Picture**—Productionwise, there was good reason for pessimism in the South. Here is the picture in most groups of textiles:

Finishing plants. Possibly 15% of the total Carolina capacity is idle. At least one big plant is running at only 75% of capacity, a small plant is hitting 50%. Pressure for price reductions is causing manufacturers to hold a good part of their output in grey goods.

Plush and upholstery. Consumer resistance to low quality—a major factor in the collapse of the cotton-waste market some three months ago—has caused drastic curtailment. It also reflects seriously disturbed conditions in the furniture manufacturing industry.

Wool goods. Because of strong cutter and consumer resistance in apparel for both men and women, soft woolen prices broke several weeks ago. And the situation is steadily worsening. The demand for worsteds (BW–May24'47,p 22) continues fair to good, with mills sold ahead and keeping up allotments. But here is a catch: Output of worsteds reportedly can't be increased.

Wool yarns. Only scattered southern mills weave wool yarns. American Woolen Co. is closing down its Louisville plant which makes white knitting yarns. On the other hand, Kendall Mills plant near Charlotte, N. C., is still turning out its lines of wool and wool-cotton blankets and specialties, at near capacity. Altogether, the immediate situation is comfortable, but mill men are nervous about the future.

Cotton hosiery. The trade and consumers are strongly resisting both current prices and current quality of men's and children's hose. While the market is glutted with low-quality men's anklets, the men insist on high-quality halfhose. Already a high percentage of the South's cotton-hosiery industry is idle; even the big outfits like Hanes and Burlington Mills are hard hit. Worse off, as a result, is the carded yarn division of the cotton industry. It can't sell even its finger carded counts (over 20) to the hosiery industry—and prices are steadily shrinking.

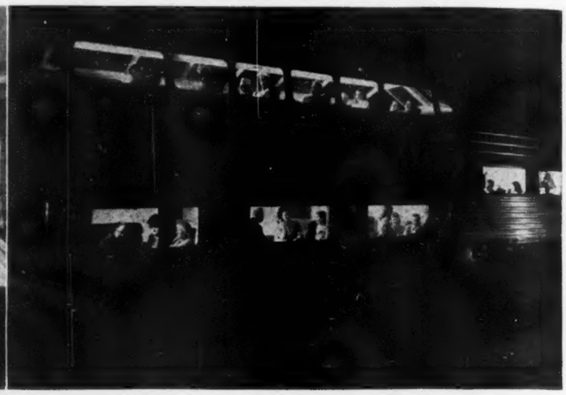
Full-fashioned hosiery. Women have apparently stopped collecting nylons; the supply is ample—and they know it. With summer and its increase in bare legs coming on, wholesalers and jobbers are beginning to fear for the future. The slump is potentially so serious that hosiery union members recently promised to help manufacturers promote business. Their first step: an appeal to women to stop going bare-legged.

The current low prices of nylons (from $1 up) have a far-reaching effect. For one thing, they upset the women's rayon stocking market. For another, they have reflected back on children's hose—cash-minded women can't see a pair of girl's cotton anklets at 40¢ when a pair of nylons is $1.

Handkerchiefs. Business at several Charlotte-area plants producing handkerchiefs is at a standstill. Reason: The

TOMORROW'S TRAIN ARRIVES TODAY

General Motors Corp. unveiled its ultramodern "Train of Tomorrow" (BW—Jul.28'45,p55) this week in Chicago. The Windy City was the first stop in a six-month, 30-city tour. A major builder of diesel-electric locomotives, G. M. designed the train to help create a new rail travel market. Cars were built to G. M. specifications by Pullman-Standard. The four-car train (above) includes a coach (below, right), diner, sleeper, and observation lounge car (left). Each has an Astra-dome observation deck, four floor levels. Other innovations: separate power systems for each car, electric kitchen, train-to-home phone, new hanger-type springs.



retail price for a prewar 5¢ handkerchief is still marked at 15¢, while the better stores want 25¢ for only fairly good quality goods.

Men's shirts. This is the one really bright spot in the southern textile industry. Prices have been drastically reduced, quality improved—and most plants in the Carolinas are working at near capacity. But low-quality dress shirts and most work shirts are having a hard time. One reason for the latter is competition from sales of surplus military shirts.

• **New England Slips**—Meanwhile, New England's textile decline carried over at an increasing rate into May. Of the several hundred soft goods woolen mills in the area, between 35 and 40 have shut down, and some 6,000 or 7,000 workers have been laid off.

Unemployment is also widespread among cotton finishers and printers. Although this should be the printers' busiest season, workers still on the job have had their hours cut from 46 to 40. Also, where a month ago the cotton and rayon dress goods weaving mills couldn't get enough female help, they are now laying off what they already had.

All of this was a reflection of the caution in buying all along the line. In New York last week, for example, retailers looked over the fall offerings of women's ready-to-wear. Looking was about all many of them did; initial order placements promised a dress manufacturing drop from 40% to 50% from a year ago. Moreover, there was a demand for early deliveries—meaning that retailers wanted to test the consumer trade before the Labor Day stock-peaking.

• **Optimism**—In the whole situation there were only two optimistic notes. One was that the ultra-conservatism all along the buying line will sweeten the inventory position of dressmakers and stores. The other was that workers now getting less take-home pay will be ready to turn out more and better yards of cloth per wage dollar—which is what the public demands. Mill men believe this to mean that, in the not too distant future, "devil-take-the-hindmost" competition will probably be back at the old stand.

BROKERS LEARN FIRST HAND

Detroit Stock Exchange brokers ha[ve] a new way of learning talking poi[nts] for their customers: They make fi[eld] trips to the companies whose securiti[es] they handle.

Under the plan set up by the [ex]change, periodic visits through co[m]pany facilities are being arranged f[or] the brokers. Bulletins are sent to t[he] various brokerage offices, specifying t[he] company to be visited. Judging from t[he] turnout on the first tour, through U[d]lite Corp., Detroit, salesmen are e[n]thusiastic about the program.

Companies seem to like the idea, to[o]. Top executives escort the men throu[gh] the plant, explain the workings, answ[er] questions. At the tour's end, offici[als] outline what the company is doing no[w,] what it plans for the future.

The exchange reasons that sal[es]men with first-hand knowledge of a co[m]pany will be in a better position [to] advise customers on its securities.

Present plans call for tours ev[ery] week, or at least once every two week[s].

The Steel Rush of '47
Back in 1849, the cry of "*Gold*" sent a horde of men racing westward. Yes, there was gold in California—but not enough for all who hungered for it. Latecomers in the rush found themselves with worthless claims. Others found nothing at all.
Today the cry is for steel. After six long years of war, strikes and stoppages, an equipment-hungry nation is creating history's greatest demand for steel products.
Every day by mail, telephone and telegraph—a steady stream of orders pours into each of twelve great Ryerson plants. And, though steel production is now far above the pre-war level, the tremendous demand sometimes depletes our stocks. Often we are unable to ship many items on your order.
But, unlike the gold supply that faded before the eyes of the hapless Forty-niners, the supply of steel is being constantly replenished. Products out of stock today may be available the next time you check the nearby Ryerson plant.
And here at Ryerson trained personnel and the facilities of a complete Steel-Service system combine in a concentrated effort to deliver your steel requirements promptly. When the steel you need is not immediately available, we gladly assist you in the search for a practical alternate.
Today, during history's greatest steel rush, this guarantee of full co-operation and service is especially valuable. That's why so many steel users contact Ryerson for all requirements.
Joseph T. Ryerson & Son, Inc. Plants: New York, Boston, Philadelphia, Detroit, Cincinnati, Cleveland, Pittsburgh, Buffalo, Chicago, Milwaukee, St. Louis, Los Angeles.
RYERSON STEEL

UTILITIES

Peace Feelers From FPC

Private companies wonder if the commission's recent proposals and personnel changes mean that era of federal "utility hating" is over. Chairman Smith's speech considered significant.

For more years than the private power people care to remember, a good strong hate for anything resembling a public utility has been standard Washington policy. Now signs are appearing that one of the staunchest exponents of this policy, the Federal Power Commission, is beginning to waver.

More than one incident which could be construed as a "peace feeler" has occurred in recent months. What interests the utility people is the cumulative effect of these incidents.

• Finger in the Wind—First of these moves took place late in 1946. FPC read the election returns, promptly named an independent Republican, Nelson Lee Smith, chairman (BW—Dec.28'46,p5). He replaced the zealous Leland Olds, who was none too popular with a number of the congressmen.

More recently, the FPC extended a small olive branch to the natural gas industry. This was in the form of an "administrative rule" disclaiming jurisdiction over sales made "at arm's length" by producers and gatherers of natural gas prior to its entry into interstate commerce. The rule also exempts all production and gathering operations that are performed by strictly intrastate companies.

Of course, it is not entirely coincidental that this move is made at a time the oil and gas industries are clamoring for Congress to clip FPC's wings. They want restrictions on the agency written specifically into the Natural Gas Act. They don't want "reforms" promulgated by FPC's own rules—which FPC itself

G.I. TAXI LICENSES ARE LIFTED

Members of Philadelphia's G. I. Taxicab Assn. are still fighting for a place on the streets. When state courts refused the association a franchise (BW—Apr.12'47,p19), defiant G.I.'s operated by offering free rides—and often made up to $200 a week on "tips." Last week the police stepped in, seized their cab licenses (above) while rueful owners watched. And while the Public Utility Commission instructed the old line Yellow Cab Co. to replenish its supply of cabs as soon as possible, G. I.'s continued to apply for individual franchises.

... by the name of

BRASS!

An unobtrusive and untiring "major domo", Brass performs a score of services every day, for *you*.

***Ready for your bath?* Brass helps to heat the water, then fills the tub for you. *Wilting weather?* Brass helps to fill your rooms with cool, conditioned air. *Cold snap?* Brass helps bring up the heat. *Expecting guests?* Brass announces and admits them at the door, lights your home with cheerful hospitality, then ministers to their comfort and well-being in kitchen, dining room, game room . . . and all through the house, in dozens of modern appliances from range to radio-phonograph.**

In all these jobs, and more, Brass is *irreplaceable* because of its durability and corrosion-resistance in use . . . and because of its matchless formability in fabrication. Whatever *your* product, Brass may well be able to brighten its sales and production picture. And the modern mills at Bristol are ready, *now*, to supply you promptly and plentifully with sheet, rod, and wire produced faithfully to your specifications.

The BRISTOL BRASS
CORPORATION

Makers of Brass since 1850, Bristol, Connecticut

New York Office: 15 Park Row, New York City
Pittsburgh Office: 438 Oliver Building, Pittsburgh 22, Pa.
Rochester Office: 616 Temple Building, Rochester, N. Y.
Providence Office: 827 Hospital Trust Building

would be in a position to revoke at will.

• **New Member**—Early this month FPC got a new member: Burton Behling.

A political independent and a protege of Chairman Smith, Behling is not expected to be so pronounced an anti-utility man as was his predecessor, Richard Sachse.

• **Heartening**—But the most impressive and—to the utilities—heartening indication of FPC's reversal of form came from Chairman Smith himself. In a talk before the National Rivers & Harbors Congress he conceded that existing federal power policies are inconsistent and unclear. Utility men, viewing the varied and sometimes conflicting roles played by FPC, Interior Dept., War Dept., and Tennessee Valley Authority, enthusiastically agree.

In suggesting that Congress revise these policies on a more "consistent" basis, Smith further encouraged private power interests. For—more by implication than by words—he indicated his general attitude that the private power industry might warrant a place in future power development programs.

• **"Able and Anxious"**—Smith made it plain that FPC would be able and anxious to help Congress revise federal policy in this field.

Whether the gas and electric power industries would indorse FPC's participation in national power policy remains to be seen. Governing factor probably would be their belief as to whether FPC has really changed its spots.

• **What Are Intentions?**—Smith made three suggestions regarding federal power policy revision:

(1) The government should "face squarely" the responsibility for providing adequate power supply in areas where it already is the big supplier of energy. This is a real issue today in the Northwest (BW—Jan.25'47,p22). It will become pressing elsewhere within a few years if no policy is laid down.

(2) Congress must establish a clear policy on federal transmission of power. This is a question which has been tossed about on Capitol Hill for years without anything resembling consistent treatment.

(3) Congress must decide what its long-term intentions are regarding electric power supply. Is the government going to make further inroads into the power business as an operator? Or is it going to "permit—except where it is already established in the business—the private power industry to carry on as a regulated utility enterprise, aided and encouraged to meet our national requirements?"

• **Hope**—Such decisions arrived at, Smith wants government and the power industry to live by them. And his way of stating the challenge leads utility men to believe he feels there will be a private industry to do so.

ower Rift

Two deals between federal gencies and private utilities are en as move by Interior Dept. hold off restrictive laws.

For the second time in recent onths, a split has developed among vate power interests fighting the pub- power planners (BW–Mar.16'46, 5). Now both groups are attempting assess the importance of that event.

Power for Power—Latest cleavage in- lves a 20-year deal between Texas wer & Light Co. and the Interior ept.'s Southwestern Power Adminis- tion. Under its terms, the utility gets the energy from SPA's Denison dam at is to be marketed in Texas. In re- n, SPA gets the right to withdraw to 25,000 kw. from T.P.&L.'s system serve its own customers.

This means the private company will ceive about half of the ultimate out- t of Denison's three 35,000-kw. gen- tors, and up to two-thirds of the dro plant's generating capacity.

What bothers the private power ople most is that the deal puts SPA o business. For it gives SPA: (1) a m source of power—power that must be supplied by T.P.&L.'s steam-electric facilities when hydro power runs low; and (2) transmission line capacity, which it lacked.

• **Northwest Problem**—This jolt, therefore, is more severe than that the private power interests received a few months ago. In the earlier deal, the five private companies in the Pacific Northwest backed Bonneville Power Administration's plea to Congress for more federal hydroelectric capacity in the region (BW–Jan.25'47,p22). This put one industry group in the position of advocating a course which much of the industry has fought for years.

The basis of the trade in the Bonneville deal has not been revealed, but there seems to be little doubt as to its nature. BPA has always refused to sell power to the utilities on long-term contracts; the law requires it to give priority to public bodies and cooperatives. Now it appears probable that the private utilities have good assurance of long-term power from BPA.

• **Precautionary**—Observers see the two deals as effective moves by the Interior Dept. to bulwark SPA and BPA against possible restrictive legislation by Congress. Short of congressional action taking the U. S. out of the power business (which is unlikely), the two public power marketing agencies are battened down to weather any legislative storm.

Ground Crews on an International Basis

Lockheed Aircraft Corp. is going out hot and heavy for aircraft maintenance work on a global basis. A subsidiary, Lockheed Aircraft Service, Inc., has already accumulated contracts to service some 160 transports of all makes.

• **Three Bases**—Maintenance bases are being operated at Burbank, Calif.; Sayville, Long Island; and in County Clare, Eire. These installations already represent 250,000 sq. ft. of hangar space, 125,000 sq. ft. of shop space, 900,000 sq. ft. of paved ramp.

The Long Island base (above) was begun a year ago. Nose repair docks are in full operation; a mammoth hangar to nest six "super" planes is nearing completion.

• **Plenty of Work**—The maintenance subsidiary has domestic contracts with the Army, Navy, American Overseas Airlines; foreign ones with French, Dutch, Irish, Argentine, and Venezuelan lines. The Navy contract alone involves $3,500,000.

Service for Busy Retailers

Company formed in Los Angeles to take and price foo store inventories. Special staff keeps up to the minute on pri changes. Three-man teams use voice-recorder to check stock.

Periodic checking of inventory is mighty important to food retailers right now. Reason: the many recent changes in prices, with the expectation of even more to come. It is impossible for a retailer to know where he stands unless he takes inventory frequently.

• **Service**—There is at least one man in the field who insists that once every three months is none too often. He is D. C. Montgomery of Los Angeles, who has developed a novel service to meet the need.

Montgomery had seen employees team up to make some extra cash by taking inventory at night or on Sunday. He decided that the market for such service was much too big to be handled in such an unorganized way. So he set himself up in business to do nothing but take and price food inventories. His newly formed company is called the Retail Stores Escrow & Inventory Service.

• **Pricing Is Paramount**—The service is divided into two distinct parts: taking the inventory, and pricing it. If Montgomery had to make a choice, he would probably say that pricing is the more important of the two under today's conditions.

The average food market contains more than 10,000 items. In canned goods alone, each label bears grade descriptions that determine the price. There is no standard price reference list to turn to, and changes occur all the time. Thus it is practically impossible for a busy retailer to keep track of them all. Montgomery has a staff that spends most of its time keeping tab on quotations, so his customers are assured of up-to-date accuracy.

• **Mechanized**—To speed the inventory-taking, a dictating machine is used. Engineers from Dictating & Recording Co., New Haven (Conn.) manufacturer of the Soundscriber, went along with Montgomery on trial inventories; together they developed refinements to fit the machine for taking inventory.

A 75-ft. cord is used to plug the machine in successively on each of several fixed stations in a large food market. The machine carries a device to sound an alarm if it is not recording. Actually, the use of recording equipment in inventory checking is not new; Crown Drug Co., for instance, h used Dictaphone's Telerecord for se eral years (BW—Sep.11'43,p80).

• **Has Three-Man Teams**—Montgome sends out his inventory teams in grou of three. Two checkers mark and item ize; the one man handling the record is able to keep up with them.

Once the physical inventory is r corded, typed copies are made fro the playback of the plastic disks. Th procedure is always the same wheth the inventory was taken for the pu pose of selling the business, computin taxes, or just to furnish managemen with guidance information. It is onl after the physical inventory is com pletely typed that the items are price and the physical quantities translate into dollar figures.

• **Cost**—Montgomery claims that whe stocks total $100,000 or more his team can do the physical inventory for le than it would cost the retailer. F inventories of $5,000 to $100,000, h can do it for about as much as it woul cost the store owner paying employe

Two itemizers, a dictator (above) an a machine, make a fast food-inven tory team—and a new business.

ertime rates. But if Montgomery es it, the owner has none of the re-onsibility for the job.

Montgomery will not price an in-ntory if the physical count was taken the retailer. "We cannot rely her on his count or on his classifica-n of the many technical grades," he s.

omato Concentrates ain Popularity

California's tomato canners are not tting uncertainty about this year's ck (BW–Apr.26'47,p19) blind them a new trend in their industry: Con-ntrated products such as tomato paste d sauce are gradually edging out ewed tomatoes.

Survey—To find out just how far the end has gone, the California Farm ureau enlisted the aid of the Uni-rsity of California. Dr. Walter D. isher of the university's Giannini oundation examined the picture, came with these facts:

Tonnage of whole tomatoes canned d fallen off. In the banner year 46, it dropped 12.1% below the 36-1940 average.

In the same period, the amount of mato puree, paste, and sauce packed se 37.4%.

Several reasons may account for the ift to concentrates. One is that omen are finding the concentrates ndier and more economical for fla-oring and seasoning.

Scarcity of hand labor in 1946 is obably a contributory cause. (It takes ore manual work to can a whole to-ato than to pack concentrates.) And oncentrates require less tinplate than hole tomatoes, because the cans are naller.

Will It Last?—About whether the eference for concentrates would last, isher was noncommittal. Californians oped it would. In 1946, with a blight ducing eastern canners' packs, Cal-ornia had canned 38% of the U. S. tal. But what pleased them most was at they packed 78% of the nation's mato paste and 59% of the sauce.

XPENSE ACCOUNT AID

Sales managers everywhere will wel-ome the National Wholesale Drug-ists Assn.'s new report on Salesmen's utomobile Allowance. Executives med with the factual information in e booklet will find it much easier hen they set about examining their en's expense accounts (BW–Apr.19 47,p15).

Detailed tables and charts—with al-owances for urban and rural areas, rying road conditions, and fluctuating

prices of gasoline—make it a simple matter to compute weekly mileage costs. The report is intended primarily for the association's own membership. But it is available to anyone else who sends $2 to the association at 330 W. 42 St., New York 18.

STILL AGAINST MONOPOLY

Wendell Berge, who recently resigned his post as head of the Antitrust Division of the Dept. of Justice (BW—Feb.1'47,p6), is continuing to fight monopoly. He has just become general counsel for New Council of American Business, Inc. The council's announced aim is to preserve competitive conditions in American industry. Organized in 1945 (BW—Dec.8'45,p20), it now numbers about 1,000 members.

Wendell Berge

At a press conference in New York last week, Berge gave a nutshell rule for detecting monopolies: "The test of whether a business is monopolistic or not is whether a new fellow can get into it."

Berge was with Justice for 17 years before resigning. He is a member of the law firm of Posner, Berge, Fox & Arent, Washington, D. C.

TRANSPARENT SELLING

Three-dimensional selling—by allowing the customer a clear view of a product's insides—is the aim of Transpari-Parts, a recently formed New York company.

The firm intends to produce equipment models made wholly or partially

transparent plastic. Both moving d stationary parts will be made to le, tinted or combined with opaque rts when desirable. As a sample the mpany has made a plastic duplicate a miniature gas engine used for odel airplanes.

The models are suggested for use trade show exhibitions and job train-g. Thus far the company has made sev-l model glass houses and a nontrans-rent miniature kitchen for the Amer-n Gas Assn.

ook Squabble

Retailers say they're under-ld by club operators who get substantial advantage in prices om publishers.

With book sales falling far below artime levels, friction has begun to velop in the book trade. The argu-ent centers around the practice of lling books and subsidiary rights to ok clubs at extremely low prices. hese prices in turn enable the book ubs to resell to members at a figure ten lower than the wholesale price id the publisher by the book retailer. mething, say the retailers, should be ne.

Cause for Complaint—The storm ouds appeared at the recent conven-n of the American Booksellers' Assn. New York.

Joseph A. Margolies, vice-president of entano's, Inc., had voluminous fig-es to make the retailers' case specific. or instance, he said that a year's regu-r selections of the Book-of-the-Month lub, plus dividend books, would cost member $34.45; the same books pur-ased from the publisher would cost a okseller $42.15. To take advantage f this price spread, Brentano's has en-red its employees on a straight mem-ership basis in Book-of-the-Month lub, buys the books they receive from e club.

Booksellers also protest that book club ontracts signed with publishers contain auses specifically exempting the clubs om fair trade agreements regulating re-le prices. They declared that fair trade ontracts between booksellers and pub-shers provide that the publishers can ive the clubs this exemption.

Refutations—The publishers' rebuttals ointed out that book-club acceptance requently makes a best-seller out of a ook that might otherwise gather dust n a dealer's shelf. Other refutations tated that most publishers are just reaking even on straight publishing ac-ivities, making money only on subsidi-ry rights like those sold to the clubs.

No attempt has been made to prose-

cute the case under fair-trade laws or the Robinson-Patman act. Spokesmen for the retailers said they hoped for an amicable settlement. The booksellers' association plans to appoint a committee, discuss the situation with representatives of American Book Publishers' Council.

DUTCH COMPETITION

American department stores and specialty shops, busily competing with each other, will soon face a competitor from abroad. The Dutch firm of C. & A. Brenninkmeyer has purchased a Fifth Ave. location in New York, formed a new corporation, made plans to open a retail store "as soon as circumstances permit." Three Brenninkmeyer brothers—Willibrordus, Egidius, and Leo, members of the famous clothing family—are listed as directors of the corporation. The company will be known as C. & A. Brenninkmeyer, Inc.

According to Dr. Maximilian L. P. Steenberghe, eminent Dutch financier assisting the Brenninkmeyers, plans for the new unit were made before the war. Completely financed by private Dutch capital, the project required the cooperation of the Netherlands government only for release of the necessary dollar-exchange to get it started. But that should pay off; when finally under way, the store will return much-needed American dollars to the Dutch investors, provide balances for purchases of U. S. goods.

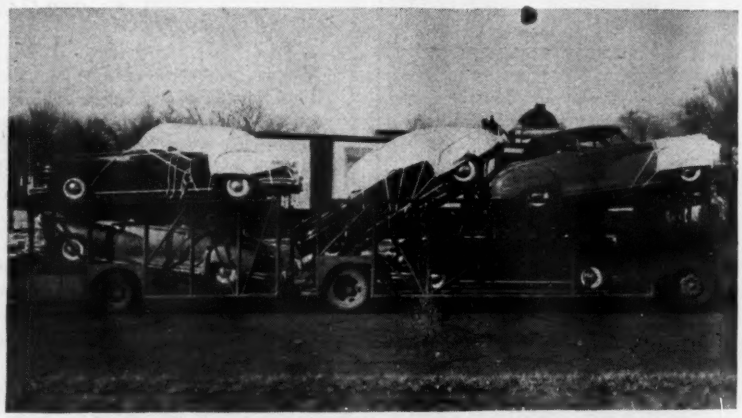
Following the Brenninkmeyers' successful European formula, the store will carry only women's and children's medium-priced outerwear. Current plans call for purchase of about 90% of the merchandise from American sources. Executives, buyers, and salespeople will be recruited in the U. S. Only a few top-level positions will be filled by members of the Dutch company.

Tentative plans for the future include the erection of more stores in the U. S. Several localities are under consideration.

DRY-ICED FREIGHT CARS

Pratt's Fresh Frozen Foods, Inc., of New York has begun to receive experimental deliveries of frozen food shipped in specially built freight cars employing dry ice as the refrigerant. The cars, designed by the Dry Ice Equipment Corp. of San Francisco, are owned by the Burlington R. R.

Major advantage of the new type car is that it maintains an even temperature of zero F or below. A recent 50,000-lb. shipment of blackberries, carrying 5,000 lb. of dry ice, made the 1,500-mile trip from Omaha to New York without any stop for re-icing.

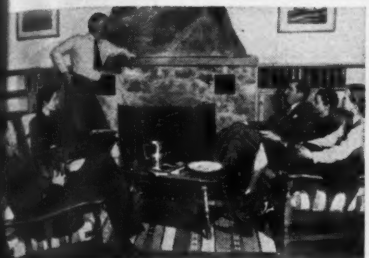


LOADED FOR AN EAGER MARKET

Faster, cheaper trailer-truck delivery of new cars may be in store for merchandise-hungry auto dealers. But there's a when and an if: when more cars are available, and if Holt Chew, Denver dealer, can weather the flurry his new five-car trailer has caused. Chew, who has brought two loads from Detroit, has formed the Rocky Mountain Auto Transport Co., plans to sell the unit at about $8,500. Measuring 44 ft. 10 in. long, 12 ft. 5 in. high loaded, it squeezes inside average state carrier limits. But some haulers look askance at five-car haulaways, consider them unsafe. So does the A.F.L. Teamsters Union though undoubtedly its main objection is that the extra car means less work—and money—for drivers.

"United States"

says Jack Widmer, who fought in the Battle of the Bulge . . . saw thousands starving abroad



"I AM HOME AGAIN. The fire blazes in e fireplace. My lands are paid for and they'll ovide my family and those dependent upon e with the world's highest standard of living."

2. "ON THE WAY HOME, Caroline, my eight-year-old daughter, chattered incessantly about goats, chickens, ponies . . . all the animals she must have. Now she has them."

3. "WITHIN NINETY DAYS we were once more producing a good part of our living under a well diversified program. My neighbors too, I noted, had branched out during the war years."

"BEEF IS OUR major crop. Already the ws are having their second calves. Careful eeding and management, strict sanitation, y off with a 95% calf crop."

5. "THE ZERO-FREEZER is full to overflowing, and the battlefields of Europe are far distant. It becomes more and more difficult to visualize their horror."

6. "WHAT A LIVING! During the meat famine last summer it was Doris' pleasure to send hams, bacon and frozen beef to our relatives on both coasts."

"I KEEP a Remount Stallion, six thoroughed mares, get high-type saddle horses for e Eastern market. Breeding some outside ares more than pays the stallion's upkeep."

8. "OUR GUEST HOUSE was built from an old bunkhouse formerly used for sugar-beet workers. I made the fireplace from native stone, using a USDA bulletin for guide."

9. "YES, LIFE IS GOOD. I've gained back those 30 pounds, sleep again without nightmares. Seeing Europe during the war gave me a new appreciation of this abundant land."

the Country

r Better Farming, Better Living

International Cellucotto[n] Issues Educational Film

Recent addition to the long list [of] companies using educational movies [as] a public relations device is Internation[al] Cellucotton Co.—famous in advertis[ing] history for its pioneer promotion [of] Kotex.

International Cellucotton's film ve[n]ture is a ten-minute animated short pr[o]duced for it by Walt Disney Produ[c]tions. It is designed for junior a[nd] senior high school girls, uses animat[ed] cartoons in the familiar Disney st[yle]. Its aim is to give the girls the scienti[fic] facts about menstruation and to disp[el] misinformation about the bodily chang[es] that accompany adolescence.

• **Little Advertising**—With only wor[d-]of-mouth advertising by profession[al] teachers' groups and Parent-Teach[er] associations to promote it, the film h[as] been shown to over 1,000 groups acro[ss] the country by the end of March. Es[ti]mates are that 150,000-175,000 have a[l]ready viewed the short.

First showing was Nov. 1 before t[he] teachers of Los Angeles. Since Nove[m]ber, International Cellucotton has h[ad] 75 prints in circulation. Difficulties [in] obtaining additional prints has slow[ed] up wider distribution. But by fall t[he] company expects to have enough prin[ts] to promote the film actively.

The company supplies a print [of] the standard 16-mm. film free, exce[pt] for postage, to any group or school r[e]questing it.

• **No Commercial**—The short carries n[o] commercial advertising message; t[he] only mention of International Celluco[t]ton is the credit line.

Company officials plan no sampli[ng] to measure its effectiveness as a sal[es] builder for the company's products.

P.S.

Auto dealers are fighting ba[ck] against buyers who immediately res[ell] to make a profit. Dealers are emplo[y]ing contracts stipulating that they g[et] first opportunity to buy the car if t[he] buyer decides to sell.

Metropolitan Life Insurance Co['s] booklet, Training Chain Store Perso[n]nel, is the fifth in its advisory seri[es] for its group-insurance customers.

Green coffee price dips have be[en] followed by reductions down throu[gh] the retail level.

Coolerator, Duluth (Minn.) refri[g]erator manufacturer, has a novel sal[es] approach. It sells the box alone to [be] used as an icebox. When the buy[er] can afford the additional outlay, a fa[c]tory-packaged unit will convert it in[to] an electric refrigerator with a built-[in] frozen food locker.

BUSINESS WEEK REPORTS TO EXECUTIVES ON —

THE NEW AMERICAN MARKET

The war is behind us. So is most—if not all—of the shifting back to peacetime production. War veterans and migratory war workers have settled down in the places where they probably will live for some time to come.

The U.S. is practically "back to normal." But what is normal? What is the character of the postwar market?

In the second of a series of reports on the New American Market, Business Week spotlights the Great Lakes region. A great mass of brand-new statistical data developed by Business Week could not be compressed in the report itself. These figures are contained in a three-page supplement to reprints of the report.

Next month: the Middle Atlantic states.

NO. 2 GREAT LAKES

This is the year for the Great Lakes region to come into its own.

Costly strikes and reconversion delays which plagued this industrial hub of America last year are now past.

And across the nation the business boom is shifting from soft goods to heavy lines—in which the region specializes.

So there are good reasons why 1947 should better 1946.

Early postwar performance of the Great Lakes market proved disappointing to economic analysts. Income and sales last year matched the U. S. gains over prewar, it's true. At first glance, the region seemed to have held its own; but under closer scrutiny, it quite clearly lagged.

For the Great Lakes is a "feast and famine" market like the heavy industries which feed its income: In normal times both ups and downs far exceed the nation's. Yet in the 1946 boom the region failed to better the nation. It was off its stride. Actually, sales and income appeared to fall 10% short of expectations for them based on careful study of past norms.

Off that pale 1946 performance a pessimist could weave a theory that would plunge any marketer into positive gloom. Decentralization of industry is running against the region, he would argue. Organized labor acts as a powerful deterrent to postwar economic growth, he

would add. If the region can do no better than match the nation in a boom, it certainly will plummet in a recession, he would conclude.

But it's all too easy to overdo this pessimism—to jump from fact to fancy—to sell the Great Lakes market short. For in fact the region's *economic* gains, if not its *market* showing, surpassed the nation's over the war years. Population rose 6.0% vs. 7.6% for the U. S. from 1940 to 1946, and manufacturing employment went up 50% vs. 46%.

To get the right slant on market performance and prospects there is needed an understanding of the region's economic makeup, history, and changes.

MAKEUP AND HISTORY

The expectation that a Great Lakes upswing would exceed the country's grew out of the experience of the past. It went like this (percent change in income):

	U.S.	G.L.
1929-1933	—44	—51
1933-1937	56	72
1937-1938	—9	—13
1938-1939	7	10

The region fluctuated more than the nation from good times to bad and back. But it ended up on the 10-year balance no better or worse vis-a-vis the nation than before.

Business Week pointed out these facts early in its studies of regional income and markets (BW—Jun.3'39, p21). A couple of years ago the Dept. of Commerce analyzed the record and boiled it down to a figure. Commerce statisticians computed that on the average Great Lakes income rose and fell 12% for every 10% the national income changed.

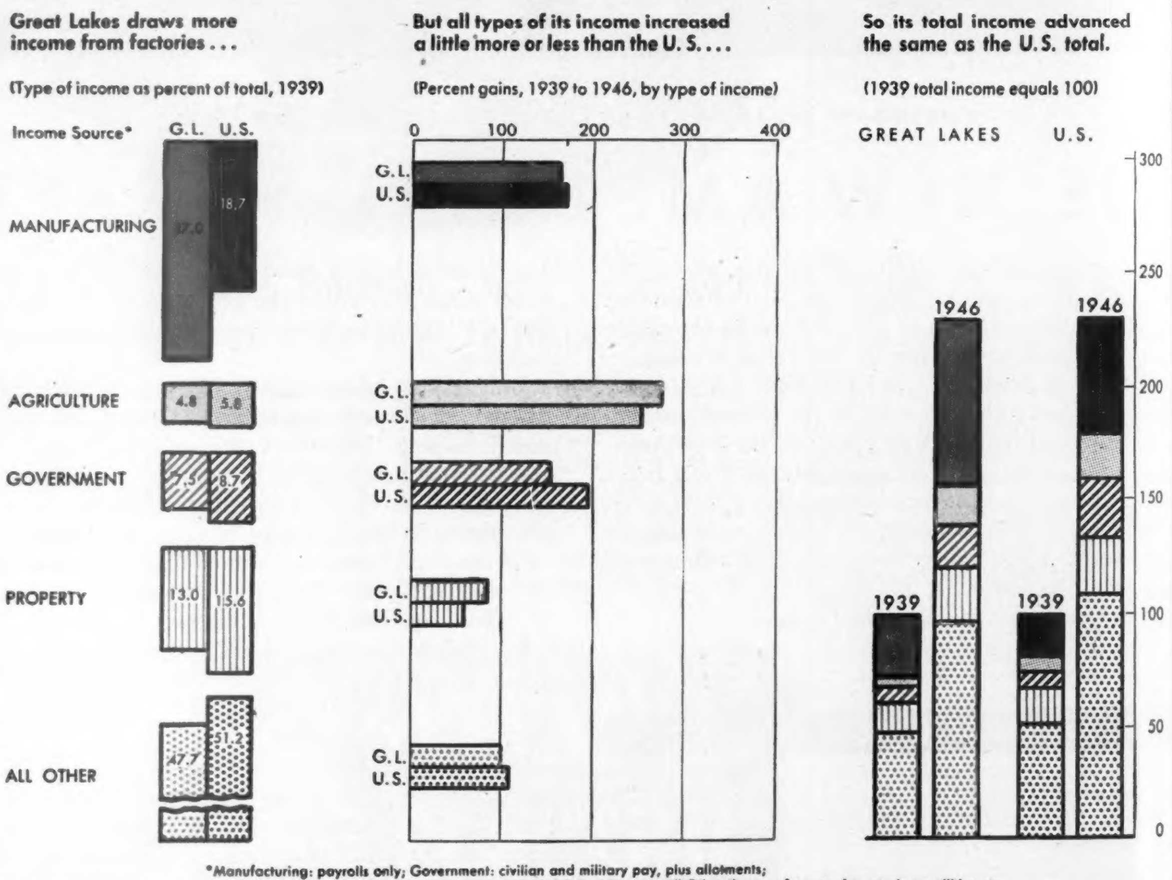
The early years of the forties did not see the region depart from its normal trend. Quite the contrary. From 1939 to 1941 the Great Lakes income rose 36% versus 31% for the U. S. On the nose once more. The gap has opened up only since 1941: U. S. income increased 76% by 1946; Great Lakes performance was only 69%—less than the U. S. and much less than "normal" (the corresponding norm for the region would be 86%).

Actually, this statistical "norm" applies only to normal times. It breaks down in periods of great price inflation such as we have had since 1941.

So the income lag in 1946 was not as big as the 10% computed by formula. Probably it was half as big. But it was a lag. And it came in 1941-1946.

In other words, the region's income lag is purely a wa

GREAT LAKES INCOME KEEPS PACE WITH U. S. INCOME



*Manufacturing: payrolls only; Government: civilian and military pay, plus allotments; Agriculture: farm proprietors; Property: rents, dividends and interest; All Other: income from trades, services, utilities etc.

Data: 1939—Dept. of Commerce 1946—Business Week

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d postwar phenomenon. That suggests it resulted from ar-born economic change. But a change from what? No market analyst need go far to discover the basic racter of the Great Lakes economy. It is written in the oke of its factories in and around its great industrial ies. Great Lakes reactions to business ups and downs rapid and violent because the region is the hub of S. heavy industry employing the industrial workers dominant among its people. (Just as business swings the Far West are late and slow because it is a land of wth that fosters white-collar occupations.)

Encompassed in this territory from Youngstown to lwaukee, from Cincinnati to Flint, is two-fifths of nerica's durable goods industry.

Ingots rolled at mills in the Mahoning Valley and the lumet district provide nearly half the nation's steel. chines made in places like Dayton and Chicago furh almost 50% of our production. And four-fifths of the ntry's cars, parts, and trucks are assembled in Detroit d its satellite centers.

The Great Lakes region is America's Ruhr, Midlands, d Urals rolled into one.

Manufacturing payrolls altogether are half again as portant to Great Lakes income as they are to the tional income—27.0% vs. 18.7% in 1939, for example. t look at its heavy goods payrolls alone. They bulk ice as big in regional income as they do in the U. S. al. In fact by themselves they are as important to the ion as is all manufacturing to the country (18% in th cases).

eavy on Heavy Industry

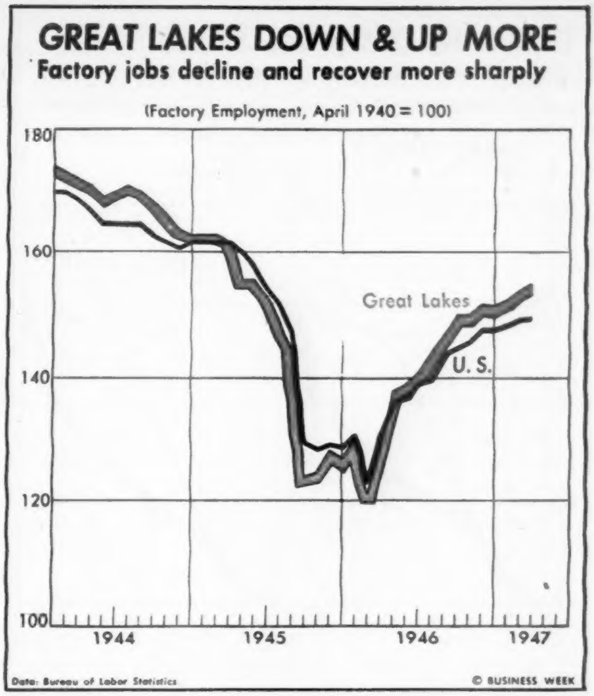
No other region is so heavily industrialized. One of ery seven of its people—women and children included works in a factory; the U. S. proportion is one out of ven. In cities like Detroit and Cleveland, one out of ery four or five people is a factory hand; every other rson who earns his living in such cities does so in a anufacturing plant of one kind or another.

Consequently, such other means of employment as riculture, government, and special services are less nificant than they are in the U. S. So is property come relatively smaller.

To some people the notion that farming is less imrtant to the Great Lakes than it is to the nation comes a shock. Yet it's true. Of course, the Great Lakes is a g farm producer. Everyone knows Wisconsin cheeses. diana corn is a consistent prize winner at the Intertional Livestock show. Much of the tomato and cornck comes from this region. It is also the leading soybean rritory.

The five-state area does account for a bit less than a th of all U. S. farm output and income—which is a lot. t that hardly stacks up with heavy industry, of which e region boasts two-fifths the U. S. total. And the gional share of American population or income, which ns a bit over one-fifth. So its agriculture is still a ightly subordinate activity.

Now every amateur economist knows that heavy goods industries move up and down in the business cycle with far more violence than soft goods, and that manufacturing fluctuates more than commerce or finance or services. It's common knowledge, too, that payrolls change more than property income.



GREAT LAKES DOWN & UP MORE
Factory jobs decline and recover more sharply

Hence it is entirely understandable why on all these counts the Great Lakes economy and market are far more susceptible to ups and downs in national income than are other regions.

As Wall Street speaks of its "prince and pauper" heavy industries, so sales managers have their "prince and pauper" market in the Great Lakes region. But it is a "prince and pauper" market only from the standpoint of ups and downs in good and bad times.

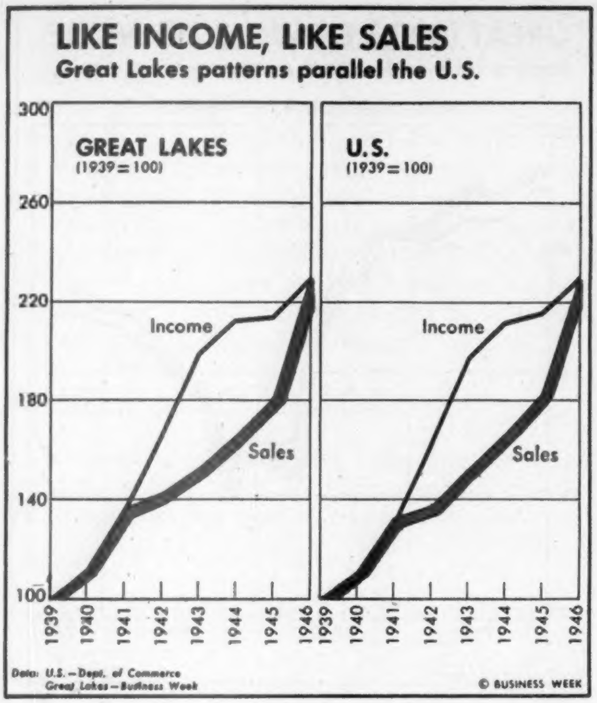
As of any one time the region actually has proportionately fewer princes or paupers than the nation. Fewer of its people run into the top income brackets that draw main revenues from property. And fewer of its people fall among the lowly paid laborers, servants, or marginal farmers.

All this is clear when the region's 1940 occupational distribution is contrasted with that of the U. S. (employment groups as percent of total employment):

Group	Great Lakes	U. S.
Professional	7	7
Nonfarm proprietors	8	9
Clerks, etc.	20	18
Skilled workers	14	11
Semiskilled workers	23	20
Unskilled workers	19	24
Farm proprietors	9	11

The middle layer of skilled, semiskilled, and clerical workers predominates in the Great Lakes. They comprised 57% of the region's labor force vs. 49% in the U. S.

Indeed, year in and year out the region shows itself



to be a slightly richer market than the nation as a whole. Per capita income in 1939, for example, averaged 10% above the nation's. In 1946 it was 8% above the U. S. Even at the bottom of the 1933 downswing, per capita income was 1% higher than the country's.

And along with somewhat higher incomes it has slightly larger savings (chart, page 48).

The reason for this market richness lies in the very same industrial, occupational, economic nature of the region. Factory hands earn more than farm hands. And heavy goods industries have traditionally paid higher wages than nondurable goods (in 1939 hourly wages in automotive factories were 93¢ versus 45¢ in cotton mills). And certainly skilled machinists command more than domestic servants.

Because it is a heavy goods center, the Great Lakes has always been a high wage area.

This whole background of the regional economy makes the Great Lakes postwar performance all the more surprising—that its income should have risen from 1941 to 1946 by only 69% vs. the more than 76% expected of it.

Suppose you asked yourself on V-J Day, as many a marketing man did, Where shall I expect the postwar boom at its dizziest? Surely you would have answered, surely in the automotive capital of the world. Where else than in the farm machinery factories of Milwaukee and Chicago? Of course, in the steel mills of Gary and Youngstown.

And yet it was not so. Why not? Strikes and reconversion naturally jump to mind as part of the answer.

With its heavy goods factories largely converted to munitions production, the Great Lakes took a longer time to effect reconversion to civilian output. Its auto plants had to be cleared of government machines and machine tools before auto assembly lines could be reinstalled. So did many of its machinery factories. Meanwhile, its steel mills had to revise their rolling schedules drastically as the product mix was changed suddenly. As a result, the region's 1945-1946 employment was depressed below the nation's (chart, page 43).

But reconversion was not all. Even when plants were ready to run, they could not. For strikes also took a heavier toll. Last year they were concentrated in steel, autos, machinery—regional specialties. So the Great Lakes last year suffered almost two-fifths of all the man-days the nation lost to strikes—though it has only one-fifth the population or income.

And man-days lost only measure direct strike effects; they don't reflect indirect losses. General Motors, for example, has effectively pointed out how often its assembly operations were halted by strikes in suppliers' plants.

Even factory job statistics tell some but hardly the full story about either the strike or reconversion setbacks to payrolls. They don't measure the short weeks or the one-week layoffs that have proved so characteristic of metal-working operations in the past 18 months.

Yet these passing strike and reconversion troubles explain only a part of the income lag in 1946.

The other parts of the picture are less easy to see. They have to do with basic and structural changes in the U. S. economy wrought by the war.

One of these changes has taken place in the industrial shares of national income. Income differentials between industries have been narrowed, closed, or even reversed. Thus from 1941 to 1946 the average weekly pay of all U. S. workers in durable goods industries advanced by 37%; over the same time, weekly wages of nondurable workers climbed 65%!

Income Shifts Hit Region

Just as heavy goods are twice as important to the Great Lakes as to the U. S., so soft goods are less important to the region than the nation. But heavy goods wages rose less than soft goods wages. So Great Lakes income advanced less on that account.

Simple averages for light and heavy goods wages even understate what has actually happened. Lumber and steel are both durable goods; but lumber wages went up more than steel; and lumber is not a big industry in the Great Lakes, where steel is. The same contrast holds true of textiles and foods.

Agriculture is another big industry whose earnings have outdistanced those in other lines—and once again farm income contributes less to the Great Lakes total than to the nation's. So on that count, too, Great Lakes income has been held back.

Effects of these income shifts have rippled out into payrolls of other main lines like trade and services. For wage rates in such unorganized industries follow those of manufacturing, which is highly organized.

When wages in Great Lakes heavy industries go up less than in textile or apparel areas, so do wages in other jobs go up less.

A subsidiary and side issue in the Great Lakes income

has to do with governmental income. As a northern central region, it is not strategically located for train- camps or military bases. Hence the region had less ansion of military and civilian services of government, ich was still a big U. S. income item in 1946.

PLOYMENT & INDUSTRY

Employment in the region, of course, has ascended re sharply than in the nation since prewar days. That's Great Lakes income was able to hold its own. From 9 to 1946 factory jobs jumped 50% vs. 42% in the ion. But factory payrolls rose only 166% vs. 172% for U. S. because wages per worker increased less.

Contrasts among other lines naturally are less striking. t they follow the same pattern: The region outruns the ion in jobs but not income. All jobs gained 30% in region, only 22% in the nation, from April, 1940, to tober, 1946. In 1940, the region had more unemployed put to work; and by 1946 it also gained more people. These economic gains hardly bear out ideas of a second rtime economic change—a loss in Great Lakes indus- l importance. Many supposed that occurred; but it n't—except by fractional comparisons.

To be sure, above-average job gains could come to a vy goods region just in the move from poor to boom es. And still it could have been losing its relative industrial share. That's actually what happened—but by such tiny margins as really to prove the region's strength.

Compare, for example, the regional percentages of total U. S. manufacturing employment by lines of industry last autumn with those prevailing in 1939:

Percent of U. S. Jobs in Great Lakes

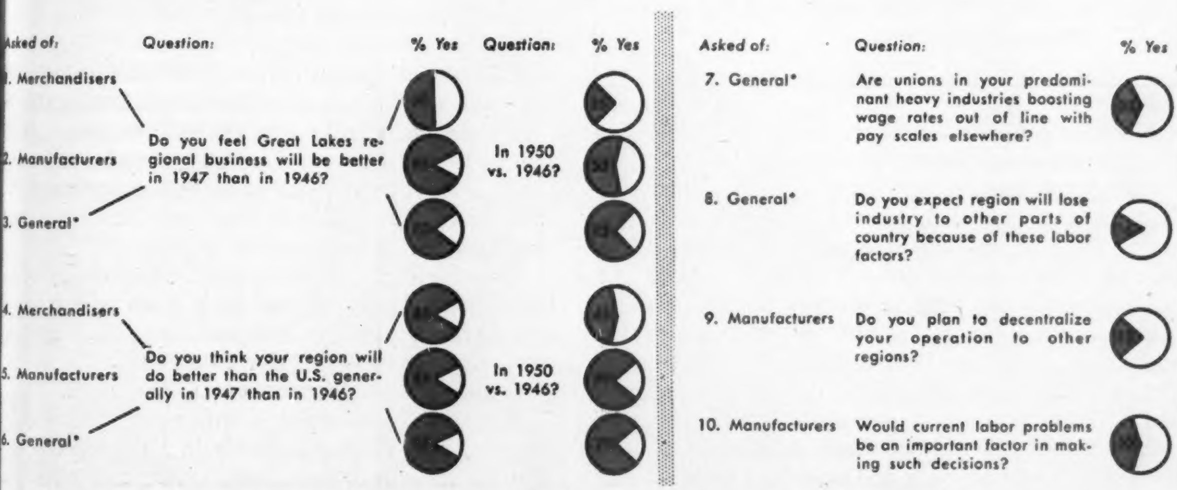
Industry	*1939*	*Oct. 1946*	*Change*
Total	28.2	29.5	+1.3
Steel & products	41.4	41.9	+0.5
Machinery incl. elec.	44.5	42.9	−1.6
Automotive	83.4	82.4	−1.0
Food	25.5	24.1	−1.4
Paper & printing	28.6	27.8	−0.8
Oil—chemicals—rubber	28.3	27.4	−0.9

The much-talked-of decentralization of industry to the South and West chipped off only one percent or so of the Great Lakes' shares in key lines. And in one or two industries—steel fabricating, for example—the region even gained. All the Far West's gains in steel only knocked the Great Lakes down from 45.9% of U. S. ingot capacity in 1939 to 45.0% today. But the share of electric power capacity went up—from 22.6% in 1939 to 23.0%.

One-third of all war facility expansion occurred in this region, which led all regions in number and value of war plants installed. It even outranked the Far West in aircraft expansion. Since the end of the war most of the war plants in the region have been put to peacetime use.

GREAT LAKES LEADERS GAGE OWN FUTURE

Business Week asked a variety of executives in the Great Lakes states what *they* think business will be like in *their* region. Their replies to our specific questions are summarized here:



*Includes Banks, Advertising Agencies, Newspapers, Public Utilities, Railroads.

At least four out of every five executives in all principal lines of business think the Great Lakes region is in a preferred position this year. They believe current business prospects are better there than they are for the nation generally. With the exception of retailers and wholesalers, they are almost as confident business in 1950 will be running ahead of last year.

Surprisingly, only a minority of executives believes organized labor is creating conditions unfavorable to regional industry. Even fewer businessmen expect the region to lose its industrial importance because of the trend to expand manufacturing in the South and West. Only one-fourth of the manufacturers plan to decentralize their own operations.

Data: Business Week.

Where Great Lakes Dollars Go

Great Lakes market patterns are quite like the nation's. Income per person runs slightly higher. But the same share of income goes to federal personal taxes—11% in 1946 vs. 1% in 1939—and the same proportion of income is spent in retail stores. Even population follows the U. S. age groupings.

Rich farms provide cheap food and feed, so fewer dollars go to those stores, more to others. More cars are bought—but there's less f.o.b. to pay (1939 sales breakdown as percentage of the total):

	U. S.	*Great Lakes*	*Difference*
Food	24.2%	23.2%	−1.0%
Eating & drinking	8.4	8.4	0
Gen. merchandise	13.5	13.7	+0.2
Apparel	7.8	7.4	−0.4
Drug stores	3.7	3.8	+0.1
Filling stations	6.7	6.8	+0.1
Automotive	13.2	13.5	+0.3
Bldg. mat. & home furn.	10.6	10.8	+0.2
Other (feed, etc.)	11.9	10.9	−1.0

More trade goes to chains than in the U. S. generally (25.6% in Great Lakes vs. 21.7%). Mail-order houses are excluded from the chain percentage: Otherwise they would boost the figure—because they're centered in Chicago.

That points up the fact that the region is a wholesale market hub for the whole U. S. One reason for it is that it lies at the center of U. S. population, located for decades past in central Indiana. It also boasts an unsurpassed transport system, both by rail and by water on the Great Lakes. And it is a main U. S. manufacturing center.

No other evidence has turned up as cause for gloom that the region is losing its industrial importance. Take industrial construction, for example. Last year the Great Lakes share of total U. S. dollars spent for plant building was 25%. That was almost equal to its 29% share of existing factory employment.

Construction data totals serve equally well to deny that this industrial region is "mature" or "middle aged," as regions go. While its 1946 population proportion was 21% and its income share 22%, its contribution to all U. S. construction was a comparable 21%. The 1939 construction figure was not much different at 19%. If not exactly a sign of young and rapid growth, it is hardly a sign of senility.

Great Lakes businessmen themselves, from what they have told Business Week in person and by mail questionnaire, are not pessimists. Only a minority thinks that unions are creating unfavorable wage differentials. And still a smaller minority believes the region will lose industry on that account.

True, one of four industrialists is planning to decentralize, in part because of labor. But in many cases the shift in scene of operations is from one place to anoth within the region. That's the case, for example, w General Motors which is putting as many new plants the region as it is outside. International Harvester sticking close to home, too, with its new plants.

What's more, there are instances where industries th are centered in other regions are decentralizing part their operations to the Great Lakes. That offsets t movement outward on the part of some manufactur

PROSPECTS

What has the Great Lakes market in store? A cons ered evaluation must conclude that the short-term futu is relatively bright. And the long-term future is certai not bleak.

The region has already accelerated its pace considera above its relatively slow speed in 1946. That is by now p fectly obvious from current employment statistics. the first quarter of this year factory jobs were up 23 from early 1946 vs. 16% for the U. S.

On the score of government income, too, the reg fared better than the rest of the country since last ye Uncle Sam's military and civilian payrolls alike have be dropping sharply. The Great Lakes was hurt by that l than other regions, because it benefited less before.

Also, with regard to the shifting in income shares, 19 is producing a better record. The second round of w adjustments now being concluded is more even between soft and hard lines than it was before.

More important, income tides among industries w shift in the Great Lakes' favor for the rest of this y and very likely the year after. The national business bo in soft goods is quite clearly going sour. But the bo in hard goods seems to have plenty of life left in it yet.

On that point, at least, both economic prognosticat and Great Lakes industrialists agree. Automakers det few signs of a letdown in markets or production this y Farm machinery makers are enthusiastic about pent farm purchasing power. Producers of such major equ ment as turbines and generators, boilers and engines convinced of the solidity of their order backlogs which many cases stretch as far ahead as 1950.

There can be some heavy goods letdowns, to be su Homebuilding may sag and bring down with it prod tion of home appliances and furnishings. Steel operatio may ease later this year due to accumulation of exc inventories, as some forecasters say. And so on.

Yet all such damaging events would still leave t region better off than normally in a recession. For t evident strength in farm, auto, export, and other he goods markets will cushion the region's fall.

Indeed, every time heavy goods output has risen has cut away markets for soft goods. Either their pri fall (farm products) or activity drops (ladies' apparel).

And as the basic industries go, so go the depend trade, service, and related lines in a region. As heavy go activity and pay hold up, they will bolster Great La payrolls more than elsewhere.

At very least, all this means that Great Lakes inco

ıld not drop by its 12%-to-10% normal ratio to U. S. ome if the nation encounters a business dip. But that nly half the story.

'or once the region may well go down less sharply than nation. In any case it will regain some more of the und lost through 1946. This is so whether the nation tinues to ride the boom or sinks into recession, for in her case heavy goods will pick up on soft goods.

n summary then, the region's short-term outlook is on upbeat. It is gaining on the nation. It is doing better year already on the score of strikes and wage changes. ill pick up more as heavy goods outdo soft goods.

ong-term, regional potentials may be slightly lowered. Because heavy goods will not overtake soft goods ionwide, the region cannot regain all of the income und lost since prewar times. Uncle Sam will keep farm es up to certain minimums when they drop. And high insurance benefits and union contracts will stop tex- or apparel wages from sliding all the way back to war differentials with heavy goods. So some of the ns in earnings made by light on heavy goods since 1939 l persist. And that affects regional income.

As for loss of industrial importance, it can clearly be ed out as a primary factor in the 1946 income showing. The chips that fell from the region's share of industry since 1939 were too small to count for much. But they may signify a downtrend. After all, the evidence of 1946 industrial construction and of industrialists' own plans points to further slight and slow losses.

But such a trend would affect markets only very gradually. There is the gloomy view that later developments will lead to major decentralization. But the balance right now has to be struck against that idea.

Another count on which the region may lose out is if we have another severe depression like that of the thirties.

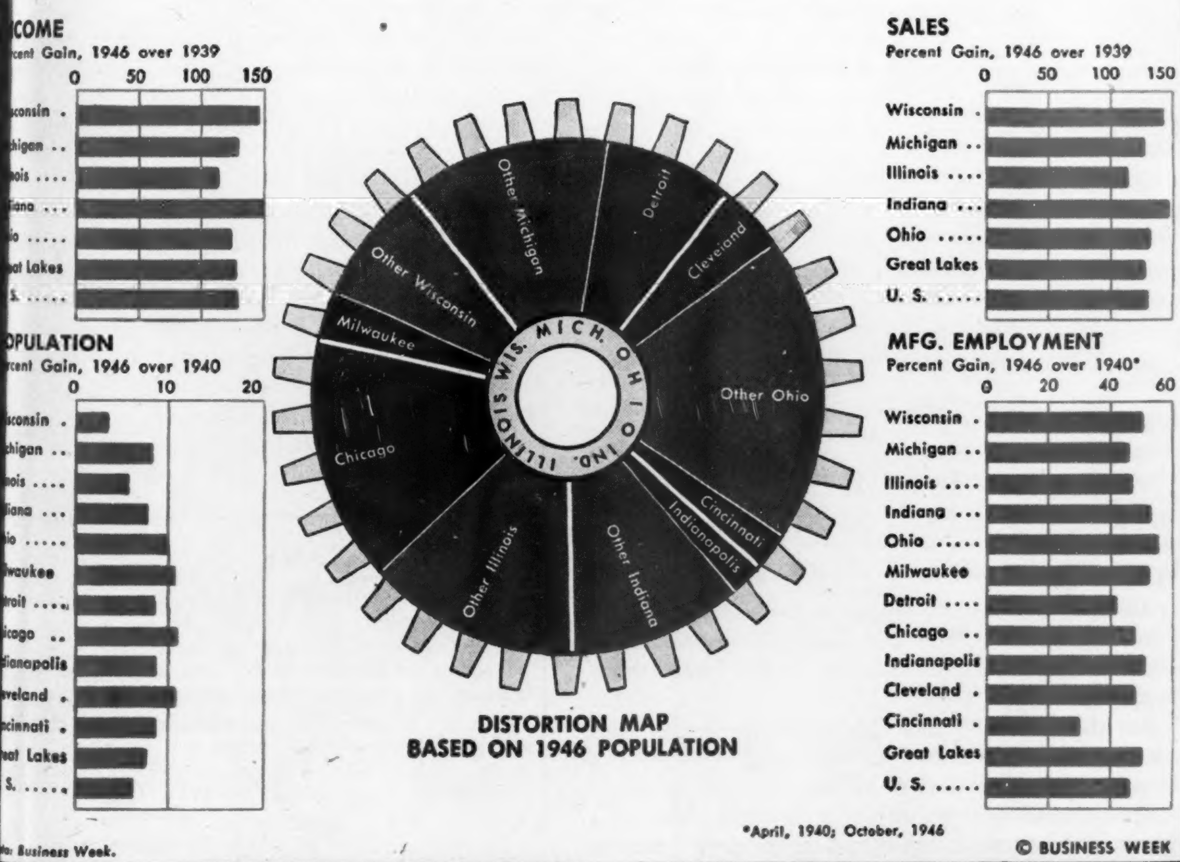
Hardly anyone believes such a business collapse will recur in the next few years. But there is some fear it may happen again in the fifties. If it does, this heavy goods region would drop sharply, of course. That's one reason why businessmen here are less surely optimistic about 1950 than they are about 1947.

WITHIN THE REGION

Wide sections of the Great Lakes states, far from following the over-all regional trend, have run counter to it. Contrasts in market makeup and movement are even greater within the region than between it and the nation.

GEARING TO THE INDUSTRIAL HUB OF AMERICA

breakdown of the Great Lakes market and of the changes in it since before the war



*April, 1940; October, 1946

Data: Business Week.

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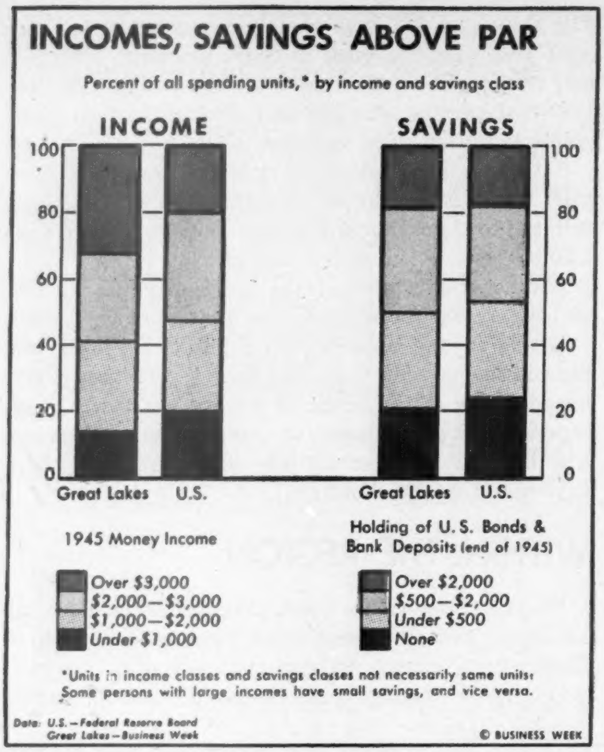

The same forces that divided the region from the nation serve to distinguish one section of the region from another. That is the split between soft and heavy goods. Specifically, intraregional differences revolve around a division between farming and heavy industry.

Take, for example, the state lineup in importance of farm vs. factory employment in 1946 in the table below. Wisconsin and Indiana are more agricultural than the others; Ohio and Michigan are mainly industrial; Illinois leans toward industry but not quite so heavily. (It boasts a heavy concentration in such other activities as finance and wholesaling; Indiana, contrariwise, has little of these.)

The industrial states show the above-average gains in population and employment—as did the region vs. the nation. Farm states have below-average gains.

	1946 Farm Employment as % of Labor Force	*1946 Factory Employment as % of Labor Force*	*% Gain, 1940-46 In Population*	*In Labor Force*
Wisconsin	17	28	3	9
Indiana	14	34	7	14
Michigan	8	40	9	15
Ohio	8	35	10	20
Illinois	7	29	6	15
Great Lakes	9	33	8	16
U. S.	13	25	6	11

Agriculture raised its output with fewer people by boosting efficiency. Differently, heavy industry required a great deal more labor to make the typical boom period jump.

But the picture is quite different on income or sales advances, as is clear from the charts (page 44). Here the farm states show up as above-average while the industrial states are below average, as is this industrial region as a whole. The farm states benefited from the soaring of farm prices, while the industrial states lagged in heavy go[ods] wages. (Illinois' picture is complicated by a high prop[or]tion of slow-moving property income.)

Net results of bigger income gains and smaller po[pu]lation gains for the farm states was an above-aver[age] jump in income per person. For industrial states [the] situation was reversed.

	Per Capita in 1939	*Income in 1946*	*% Gain 1946 Over 1939*
Wisconsin	485	1155	138
Indiana	495	1138	130
Michigan	591	1234	109
Ohio	603	1225	103
Illinois	671	1375	105
Great Lakes	593	1252	111
U. S.	539	1162	116

The level of per capita income also follows the farm[-] factory pattern. It characteristically is above average [in] industrial states, below average in farm states (wh[ile] Illinois' property gives it a special boost). These le[vels] must be qualified by the fact that the same number [of] dollars buys more on the farm than in the city.

The Hub Within the Hub

Best way to view the region's inner contrast is to foll[ow] economic instead of state boundaries. The southern r[im] of Lake Michigan from Milwaukee through Chicago [to] South Bend and the southern edge of Lake Erie fr[om] Detroit through Toledo and Canton to Cleveland con[sti]tute an industrial hub within this hub of Americ[an] manufacturing.

It includes half the region's population but thr[ee-] fourths of its industry. Outlying sections, contrariwise, [are] more predominantly agricultural. Of course, there [is] important industry in centers like Indianapolis, Eva[ns]ville, and Cincinnati, just as there are major fruit a[nd] dairy farms in the "hub within the hub."

But the economic differences between these two te[rri]tories are sharp enough to have stamped out contrasti[ng] market performances. This is not a half farm, half facto[ry] region; industry definitely predominates; but much mo[re] so in the inner hub, and much less so outside it.

The shift in soft goods-heavy goods balance will li[ke]wise affect the intraregional market breakdown. Just [as] the region is gaining on the nation now, so the industr[ial] sections will come up and farm sections go down wit[h] the region.

REPRINTS AVAILABLE

Copies of this Report to Executives, coupled with [a] three-page Market Data Supplement, will be available i[n] color reprint form in about two weeks. Single copies wi[ll] be mailed to Business Week subscribers upon reques[t] without charge—to nonsubscribers for 20¢. Addition[al] copies will be billed at the rate of 20¢ apiece. On orde[rs] of 11 or more, quantity prices will be quoted on in[-] quiry. Address orders for reprints to Paul Montgomer[y,] Publisher, Business Week, 330 West 42nd Street, Ne[w] York 18, N. Y.

Everything in Piping Equipment...
for Chemical Processing, for example

Our world sparkles with man-made color . . . brilliant printing inks . . . pleasing paints . . . smart textile shades. In countless colored objects around us, the beautiful pigments spring from magical chemical reactions in just such a plant as this.

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So it's no wonder that many process industries—like most others—rely on Crane for *all* their piping materials. For Crane meets all their needs, and thereby makes possible this 3-way advantage:

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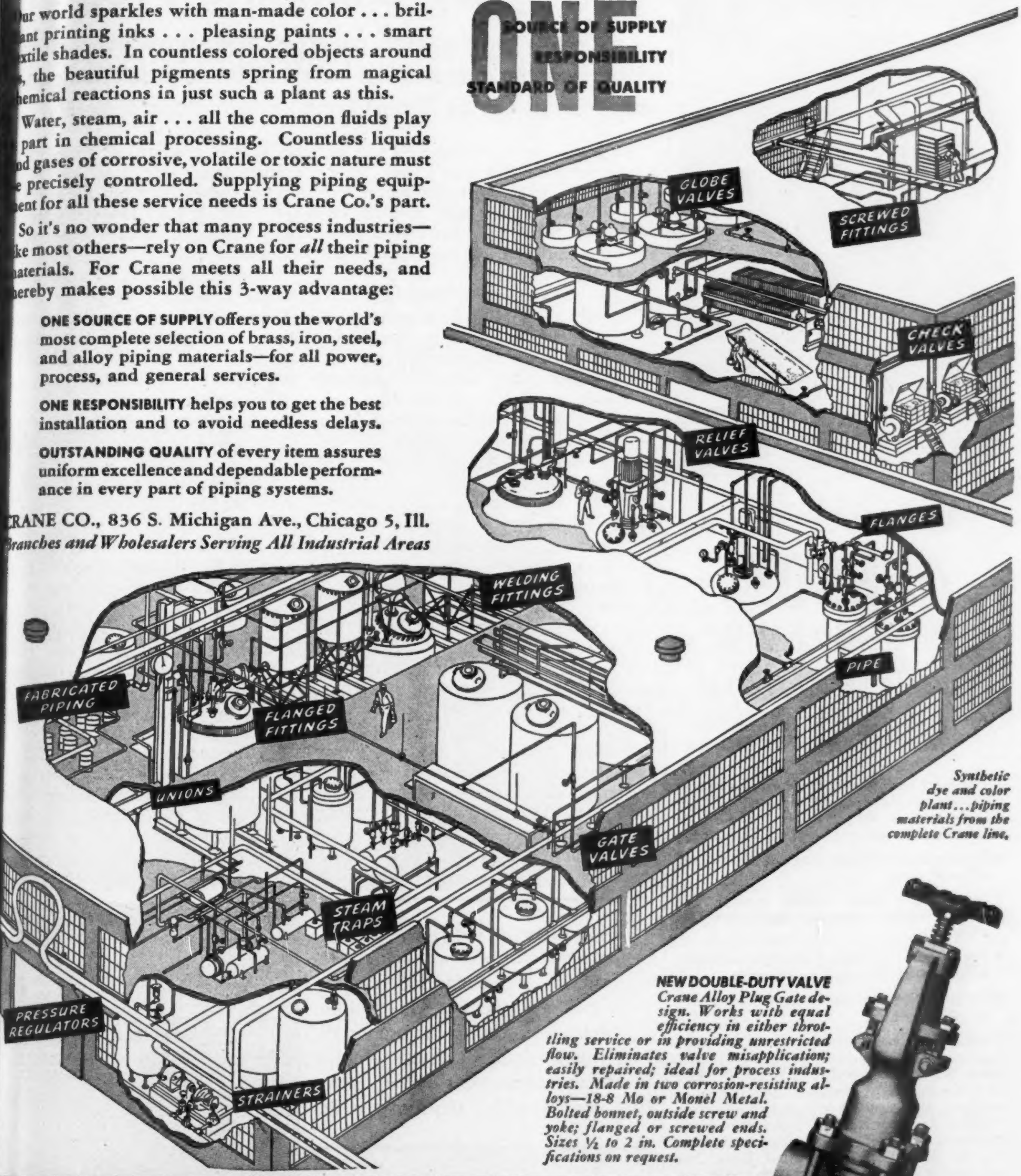

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PRODUCTION

Wiring by Stamping Press

New development, patterned after conventional electri circuit diagram, may simplify "rat's nest" in radio sets. Basic grid copper strips can be stamped into insulating board quickly.

To the layman, the business side of a radio set looks like a rat's nest. That same "rat's nest" costs the set manufacturer plenty. Assembly is costly in labor and time; both inspection after assembly and servicing are difficult and expensive.

Some method of "prefabricated" wiring would simplify these operations. It would cut costs on mass-produced electrical equipment requiring complicated wiring: radios, telephonic devices, automatic controls, dashboards, and panels. Printed circuits (BW–Feb.23 '46,p19) and sprayed circuits (BW–May11'46,p52) have been tried with some success.

• Greater Advance—But a new development promises even greater advances. It uses metal-forming machinery to produce a wiring subassembly, is called a "stamped" circuit. Its most significant feature is that it is an important step in putting electrical assembly operations on a mass-production basis.

Stamped circuits are a development of A. W. Franklin, president of the Franklin Airloop Corp., Long Island City, N. Y. Franklin converts the rat's nest layout into an orderly, interconnecting scheme based on the conventional wiring diagram. The company plans to license the process and to spread beyond the radio field.

• Lines and Loops—Ask any electrical engineer to sketch out a circuit, and he draws a series of horizontal a vertical lines. He uses dots for c nection points between the horizon and verticals, and loops to show t lines passing over each other are connected.

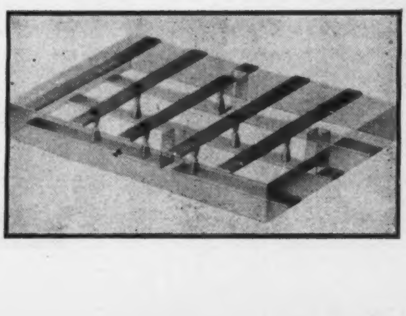
Theoretically, if horizontal strips copper wire are fastened on one s of an insulating board, and vert strips are fastened on the unders a basic "grid" would be available any circuit. Horizontal strips co be connected through drilled holes the board to vertical strips bel Strips could be cut off at any point break connection.

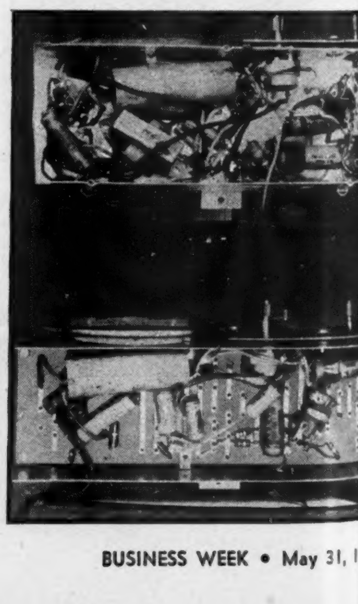
With this basic grid, it is possible work out any number of different cuits.

• For Mass Production—Franklin adapted this theory to mass-producti A sheet of $\frac{1}{16}$-in. Bakelite, or other sulating board, is fed into a 150- press. On the board is placed a sh of tinned copper, coated on one s with U. S. Rubber Co.'s Kotol ther plastic cement.

When the press operates, hea shearing and forming dies cut the c per into conducting strips $\frac{3}{16}$ in. w with equal spacing between strips. the same time, pressure forces the ed and ends of the strips into the ins tion. The heated dies soften t Bakelite board sufficiently to im locking the copper strips into place, a

Mass-production techniques turn out a stamped wiring layout (below). It consists of interconnected copper strips fastened on either side of an insulation board. Result: the usual rat's nest (upper right) of a set becomes an orderly arrangement (below right), easy to assemble, inspect, service.





simultaneously to set the ceme[nt]

By the same method, wiring str[ips] are fastened across the other side [of] the board.

The dies can be altered to produ[ce] any desired circuit. A press operat[ion] can form projections which fuse [to] make connecting points, and can al[so] punch out the strips to cut off a co[n]ductor to desired length. The res[ult] (drawing, page 50) is a mechani[cal] wiring diagram.

• Connecting Paths—Hollow eyel[ets] provide connecting paths through th[e] insulation, and also serve as termin[als] for the leads of resistors, capacitor[s] and other required components. Whe[n] connection to a single vertical or ho[ri]zontal line is desired, an eyelet or p[in] can be punched into the selected co[n]ductor at a point which misses th[e] conductor on the other side.

Wire leads of capacitors, resistor[s] and coils can be bent or preformed in[to] the eyelet or over the pins, th[en] soldered in place automatically by in[]duction heat. Tube and transform[er] sockets can likewise be dropped in[to] place and permanently connected [in] a single operation. Some installation[s] would require that these jobs be do[ne] manually. And in all cases larg[e] parts would have to be mounted an[d] connected by conventional methods.

• Compactness, Simplicity—Performance tests on equipment using stamp[ed]

AN EASIER WAY

Relief from that perennial back-breaker—the hand lawn roller—is offered by Steel Equipment Co., Cleveland. The company is making a pony-size, self-driven road roller designed for lawns, driveways, golf courses, tennis courts. It has a 42-in. wheelbase, a 6-hp. engine. Fill up the welded-steel roller with water and the unit weighs a ton. There's also space for a 600-lb. concrete block.

g are now under way. Little or ircuit modification has been found ssary. The method allows more rly placement of parts, and more pactness in design. Alignment of its in production is simpler, since g stamped out by a die does not from set to set. The method lifies inspection and testing. It makes servicing of circuits easier. ost determination has not as yet made because it depends on the cular wiring involved, and on die Die cost is influenced by the of assembly required, the relative plication of the wiring, and the me achieved by supplier and as- bler.

t substantial savings over present hods are expected. For example, klin believes that a stamped as- bly for 5-tube model radios with sockets built in, and ready to re- component parts, can be made about double the present cost of ets alone.

echanization—Franklin is sure that tion of the method would save rical manufacturers money and t space. It would allow about 90% he wiring in the average set to be mechanically at the rate of ten or more per minute. But it would require the installation of mechan- equipment. This means that manu- urers would have to mechanize, g a careful and precise layout, to eve maximum benefits.

FOR HOUSING

wo new builders of prefab homes a new building-material producer week got the green light from Fed- Housing Expediter Frank R. Cree-

reedon requested the Reconstruc- Finance Corp. to provide guaran- market contracts for Pilgrim nes, Fairfield, Conn.; Preco Corp., ingham, Wash.; and International Forming Co., New York City.

ilgrim and Preco are to produce wood-frame-and-plywood houses ce this year. They are licensees of R. Ford Lumber Co., McDon- h, N. Y.

nternational, a subsidiary of Cres- Pomroy, Ltd., Montreal, will make minum siding at the rate of a mil- linear feet a month. This siding ightly concave; when applied to the of a house it is under tension, ch adds to its rigidity.

AINS FOR FOUNDRIES

he foundry industry is taking steps insure a future supply of engineer- talent.

he Foundry Educational Founda- —backed by the American Foundry-

men's Assn., Gray Iron Founders S[ociety], Malleable Founders Society, [and] Foundry Equipment Makers Assn.—lead the way.

Foundries and foundry-equipment makers are being asked to contribute $1 per employee per year for the next three years to create a working fund of about $280,000 for the foundation.

The money will be used to develop and arrange basic courses of study in five engineering schools, to assist the schools in obtaining required foundry equipment, and to establish 50 scholarships a year for the next three years. The scholarships will be awarded to college men interested in foundry-engineering careers.

Case Institute of Technology, Cornell University, Massachusetts Institute of Technology, the University of Cincinnati, and the University of Wisconsin are the schools where foundry engineering courses will start this September. Northwestern University may also be included in the work.

The foundation's campaign chairman is John M. Price of Ferro Machine & Foundry Co., Cleveland.

STUD-WELDED SPRINKLERS

Underwriters Laboratories, Chicago, has certified the use of stud welding (BW—May3'47,p52) for hanging sprinkler systems in public buildings.

Nelson Stud Welding Corp., Lorain, Ohio, manufactures the gun and studs. Brackets can be installed by removing just enough plaster or cement to allow the nose of the gun to contact the steel ceiling beam. This eliminates the task of chipping away plaster or cement all around the beam to allow installation of hangers.

SOLUBLE SAUSAGE CASING

Fruit and vegetable wastes can be converted into soluble protective casings for sausage and other meats. Dr. Louis B. Howard, chief of the Bureau of Agricultural & Industrial Chemistry of the Agricultural Research Administration, described the process recently before the Food Industry Advisory Committee. If the coated product is boiled, the film dissolves. If fried, it is tender and edible.

MINERALS SURVEY

The Interior Dept. last week gave Congress everything it knows about the nation's mineral resources. The voluminous survey, summarized in a report issued two years ago (BW—May19'45, p70), will be used in a study of the need for a national minerals inventory. The study is being undertaken by the subcommittee on mines and mining of the Senate Public Lands Committee.

EW PRODUCTS

y Motor

miniature, permanent-magnet or using only 1.5 volts d.c. has been loped by Essell Corp., 19 Euclid , Newark 5, N. Y. It can be oper- from a small amplifier tube, flash- -type battery, or similar small-volt- source.

esigned for portable moving pic- cameras, phonographs, wire record- timing and control devices, and winding clocks, the motor weighs oz. Dimensions are $1\frac{1}{2}$ x $1\frac{3}{32}$ x $1\frac{1}{2}$ in. 0.8-amp. load it produces 0.0005 at 3,000 r.p.m.

agnet and pole-shoe assembly is ast in place as an integral part of zinc housing. Motor-end covers are nanently sealed. It is possible, ac- ing to the manufacturer, to change basic motor winding so that the or will operate over a range of low ages up to 28 volts.

vailability: delivery in two weeks.

vable Conveyor

apids-Standard Co., Inc., Grand ids 2, Mich., has designed a com- belt conveyor for use between ch-press machines. The new con- r has a bed four feet long, is a com- on model to two larger Press-Veyors e by the company.

he Press-Veyor is used primarily to

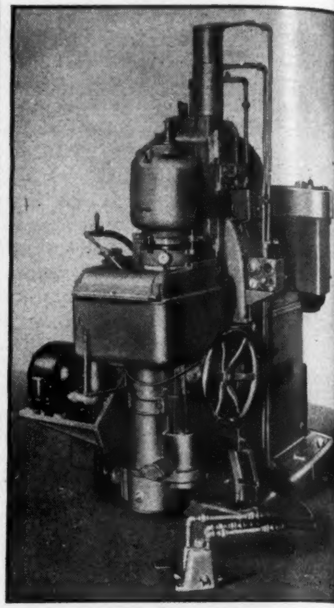
ey stampings through punch-press ations and to dispose of scrap. The ufacturers state that it may also be l as a steep-angle conveying unit for dling many other types of products. unit is powered by a $\frac{1}{3}$-hp. electric

motor. Two-wheel balanced desig lows the Press-Veyor to be moved e

Availability: delivery in one week

Vertical-Stroke Grinder

A foot pedal controls operations the new Vertical-Stroke Grinder de oped by O. S. Walker Co., 54 R dale St., Worcester, Mass. The w



of the machine travels vertically the surface being ground rather horizontally. Surfaces may be gr flat, concave, or convex up to an a of 15 deg. As a safety feature, all w ing parts of the machine are incl

Availability: immediate delivery.

Rotary Refrigerator

For commercial and industrial frigeration, Frigidaire Division of eral Motors Corp., Dayton 1, Ohio, produced a lightweight rotary uni three models. A single, steel, cylin shaped case houses the rotary comp sor and motor assembly. The e unit, which may be suspended from ceiling, weighs 85 lb.

Direct drive between the motor compressor eliminates seals, belts, pulleys. There are no pistons or pi pins in the assembly. A small hori tal fan, mounted on the top and cealed by a grille, cools the unit.

Illuminated Typewriter

Streamlined design is featured in improved Zenith Portable Typew It is manufactured by Zenith T writer Corp., 216 Williams St., York, and was styled by Robert diller. A closed bottom permits ty with the machine on the typist's

thout danger of oil leakage. Another ture is a built-in lighting system. o concealed bulbs underneath the sk illuminate the paper and the key-ard. Separate tension controls are ovided for the right and left hand.

Availability: delivery in 60 days.

oistener

For sealing envelopes or attaching pe or labels, Lorain Co., 3616 Lillie , Fort Wayne 5, Ind., has developed wetting agent. A few drops of the aterial, called Wet-It, are added to e water in a sponge-holder or other spenser. Its function is to make the ter spread more evenly over the sur-ce to be moistened. The wetting agent a combination of organic chemicals, nontoxic, has no objectionable odor.

Availability: two-ounce size, imme-ate delivery; larger sizes in 30 days.

lock-Time Computer

Time-clock arithmetic is simplified ith Worktimer, says Allied Research orp., P. O. Box 17, Somerville 43, ass. The device is a white plastic ol that looks something like a slide le. One movement of the slide solves elapsed-time problem, according to e company.

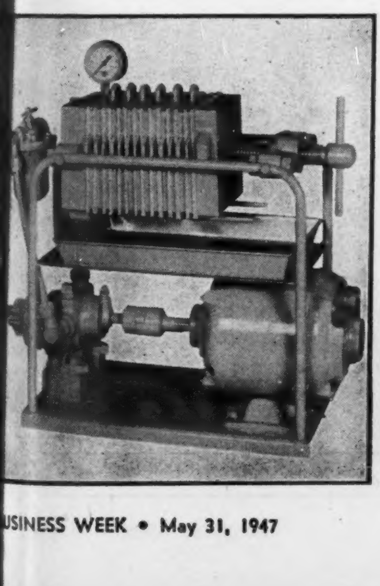
Availability: immediate delivery.

rtable Filter

A portable filter press that weighs ly 70 lb. is announced by Buckeye aboratories Corp., 6700 Morgan Ave., leveland 4. The unit filters up to 60 l. per hr.

Incoming fluid passes through pre-minary filter which removes particles f 0.0035 in. diameter or larger. A built-relief valve maintains fluid pressure elow 60 psi. without interrupting filtra-on. The pump is driven by a $\frac{1}{8}$-hp. otor.

Availability: immediate delivery.



FINANCE (THE MARKETS–PAGE 86)

What Is A.T.&T.'s Future?

Small investors question outlook for market's favorite bl[...] chip. They fear rising expenses, cost of huge expansion progra[...] But rate increases are being sought; dividend should hold at $[...]

Wall Street counsellors have had plenty of questions hurled at them since the bull market fell apart a year ago.

None, however, measures up to the flood of queries that has been coming in lately about American Telephone & Telegraph Co. common stock. This is the largest, most widely distributed, and most popular blue-chip security in financial annals.

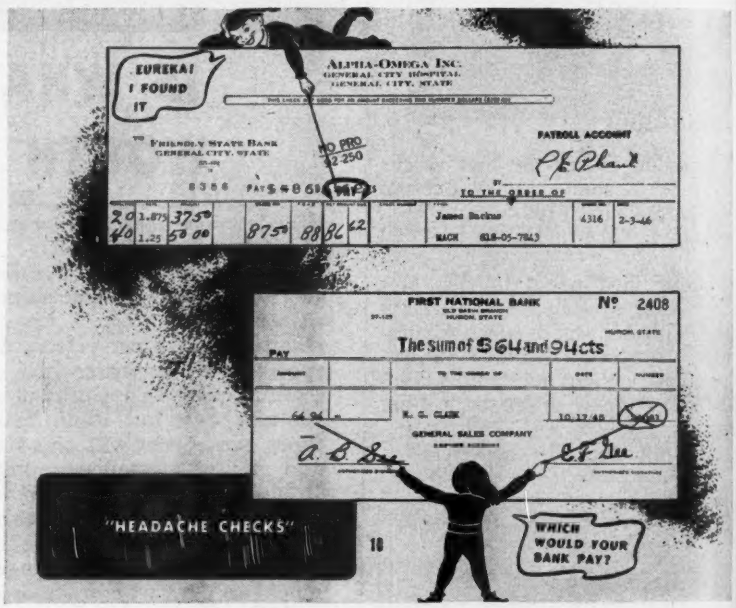
• **The Reasons**—Here is what has been prompting concern over A.T.&T.:

• The sharp uptrend of the Bell System's postwar operating expenses. More and more stockholders wonder if costs can be held in check sufficiently to keep up the $9 a share dividend A.T.&T. [...] paid for some 25 years now.

• A.T.&T.'s gigantic postwar expansi[...] program. Plant facilities now on [...] drawing board may require $2,500,00[...]000 of new capital in the five y[...] through 1950—or almost as much [...] money as A.T.&T. raised from 1920 [...] 1945. The Jeremiahs among stockho[...] ers thus envision an increase in [...] amount of outstanding shares, and [...] the annual fixed charges which must [...] paid before dividends are possible.

• **Psychology**—Mixed up with this p[...]ture is a psychological factor.

True, many A.T.&T. stockhold[...]



WANTED: FIRST AID FOR THE BOOKKEEPER

Checks, through which 95% of banking transactions are handled, can be—and often are—a banker's prime headache. Variation in size and form, too many figures and promotional symbols slow down the clerk who has to sort out the essential facts: who is paying whom how much on what bank. To combat the problem, the Committee on Check Standardization & Simplification of the Bank Management Commission of American Bankers Assn. last week issued to A.B.A. member banks a colorful manual, "Check Standards." The elf in the illustrations (above) underscores what's wrong. Main recommendations: Reduce the number of check sizes; cut down on check-design frills.

are seasoned nvestors, prone to con coldly the long-term aspects of a tion without being scared by temp influences.

On the other hand, 94% of A.T.&T.'s 700,000-odd stockho have less than 100 shares each. S 207,400 individuals actually hold one to five shares apiece. And it's small "unseasoned" stockholders are having most of the jitters over company's immediate future.

• **The Record**—On the surface, w about A.T.&T.'s nearby earnings look like much ado about not After all, the Bell System's traff 1946 was at a record high (106,000 phone calls daily, an increase of 15, 000 over 1945).

Equally impressive, A.T.&T.'s 1946 operating statement, which no consideration to undistributed ings of operating subsidiaries, sh
• Almost $192 million of income a able for dividends against less than $ million in 1945.
• Earnings of $9.42 a share vs. $8.6 1945 when the average number of sh outstanding was 564,000 smaller.
• An $8,500,000 surplus after the ment of 1946's $9 dividend, comp with a total deficit of more than $ 500,000 in 1942-45 (after disbursem of dividends).

• **Tax Factor**—These details, how are considered so much water over dam by those worrying over the fu trend of A.T.&T.'s earnings. M pertinent to them are some remark President Walter S. Gifford in the c pany's 1946 annual report.

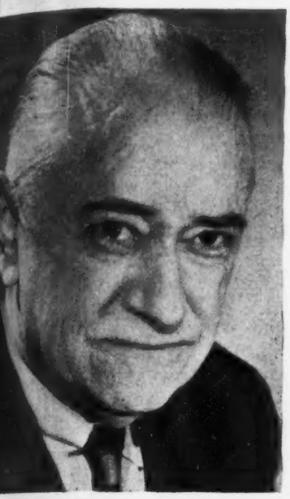
According to Gifford, 73¢ of $10.23 consolidated earnings applic to A.T.&T common last year was vided by nonrecurrent tax carry credits. Without these, he said, earnings equaled only 5.7% on the capital investment despite the re gross revenues.

• **The Setup**—Over 80% of the nati 31,600,000-odd interconnected phones are owned by the Bell Sys (whose many threads are tied toge in A.T.&T.). Bell gets over 90% of domestic telephone revenues. And gether the various Bell companies, w can boast some $6,600,000,000 of sources and a telephone plant value $6,300,000,000, comprise the lar corporate enterprise in the world.

A.T.&T. itself has no phones in s ice. It is, however, in a sense both operating and holding company. It o virtually 100% of the common s of a myriad operating subsidia throughout the nation. And it ope the long-distance toll lines and wire cuits that connect "local" companie

Other A.T.&T. activities inclu (1) control and licensing of teleph patents; (2) almost 100% ownership Western Electric Co. which supp

O ADVERTISING CHAIR



The Advertising Research Foun-ation, which serves as focal point r advertising readership studies BW–Nov.9'46,p54), has a new oard chairman. He is Otis A. enyon, chairman of the board of enyon & Eckhardt, Inc., New ork advertising agency.

Author and inventor, Kenyon rganized his own business in 929 after ten years' experience in e technical advertising field. He rved his company as treasurer ntil 1942, then became chairman.

Since 1943, Kenyon has been a irector of the ten-year-old foun-ation. As chairman, he succeeds tuart Peabody, assistant vice-resident of Borden Co. Peabody ill continue as a director.

system with almost all its equip-t; and (3) joint control with West-Electric of Bell System Laboratories, an organization specializing in tele-e equipment and service research. gulation—A.T.&T.'s interstate op-n of long lines is regulated by the ral Communications Commission. business has grown steadily since nception. So much so, in fact, that C ordered an annual $51-million cut gross revenues in 1948. Later &T. announced additional reduc-s involving about $32 million annu-As a result, by 1945 the average between 25 of the largest cities had pped to $1.65 from the $5.90 that ailed in 1922.

he intrastate telephone business of &T.'s subsidiaries is regulated by public utility commissions of the s in which they operate. These rates just as microscopic an investigation nterstate long-distance calls.

osts Up—Bell System's postwar op-ing costs have jumped just like

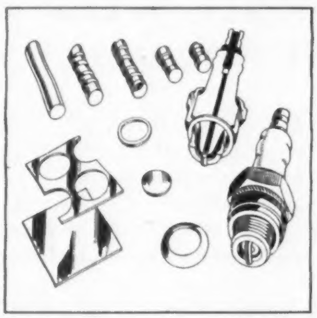
BUSINESS IN MOTION

To our Colleagues in American Business . . .

• • •

The automobile industry is regarded by suppliers as a highly desirable customer. Its orders are large, and strict insistence on quality standards keeps a company on its toes. The industry's demands for ever better materials, higher production, and lowest possible prices consistent with quality have been in part responsible for making the automobile business America's greatest, giving employment to one-seventh of our country's workers.

It sometimes surprises industrialists who do not have direct contact with this great industry when they learn how painstaking is the attention given the smallest item.



Take parts for spark plugs, for example. Revere supplies free-cutting brass rod for the terminals. This metal makes swift manufacture by the millions possible in automatic machines. Free-cutting brass is selected from the many available types of brass, because it is best for this fabrication process.

A spark plug also has gaskets, three of them. The obvious material for a gasket that is subjected to heat is copper. But what copper? There are many coppers. Silver-bearing copper is chosen, because it resists annealing, or softening, at spark plug temperatures. This copper is not the cheapest, but the best for its job of maintaining the seal required to prevent blow-by and loss of power.

Take an automobile down, part by part, and you find from 37 to 73 pounds of copper and copper alloys, each type chosen with the greatest care, no matter how small the individual part. Just as nothing seems to be too big for the automobile industry to accomplish, so nothing is too small for it to study. To be a supplier to that industry is indeed both an honor and a responsibility.

It does not seem that the future will produce a rival for the automobile industry in size, but more and more industries are rivaling it in their meticulous search for ways to make better goods, faster, and at lower prices. In that endeavor Revere collaborates closely with many of its customers. Any other supplier who is asked, is only too glad to place his accumulated knowledge at the disposal of buyers.

No company can stand alone; it must obtain the cooperation of many others, and utilize available experience in such diverse fields as design, material selection, fabrication, trade and public relations, merchandising and advertising.

In every industry there are capable sources of such help, and today more than ever it is essential to go to them.

I like to think that American industry is a collaborative as well as competitive whole, in which employers and employees, sellers and buyers work together, each factor contributing in its own way, and each profiting accordingly, as in the automobile industry.

C. Donald Dallas

Chairman of the Board

REVERE COPPER AND BRASS INCORPORATED
Founded by Paul Revere in 1801
Executive Offices:
230 Park Avenue, New York 17, N. Y.

those of other businesses. Wages, however, play a bigger-than-usual role in Bell's case. Hence the sharp uptrend in payrolls has had a terrific impact on the telephone business.

Bell payrolls by 1945 had risen 14[illegible] above 1940, while gross revenue climbed about 79%. As a result, direct wage costs absorbed 51.1¢ of each revenue $1 last year vs. only 37¢ in 1940.

In the three months ended last Feb. 28, payrolls accounted for 53% of gross revenues. Now there is speculation that the new awards resulting from the nationwide Bell strike upped that ratio to around 58%.

- **Financial Picture**—At the end of 19[illegible] A.T.&T.'s capital structure on a consolidated basis consisted of: $693,00[illegible] 000 of subsidiary fixed debt; minority stockholding interests in subsidiaries [illegible] $113,500,000; its own $1,062,000,0[illegible] of fixed interest obligations; and its [illegible] 607,000 outstanding shares of $100-p[illegible] common stock.

Since then, A.T.&T. has issued another $200 million of bonds. Bond conversions have probably increased the amount of issued stock moderately. Coming weeks should see the sale [illegible] another $200 million of bonds. A[illegible] Wall Street expects a third $200-million bond offering before 1947 ends.

- **Interest Rate Prospects**—Thus far the company has been able to borrow at very favorable rates. However, the constant acquisition of new capital means the ever more payments must be made annually in interest and dividends.

It has been estimated that if all the new capital the company now wants to obtain is acquired one-third through the sale of bonds, one-third via convertible debentures, and the rest [illegible] stock sales, annual fixed charges and dividend requirements by 1950 might rise $100 million above the current [illegible] ure of $338 million.

- **Paying the Bill**—Getting enough gr[illegible] earnings to meet these requirements [illegible] not impossible. A.T.&T.'s management is experienced, smart. It is taking [illegible] steps to bring operating costs into li[illegible]

Nor has the system overlooked the possibility of getting higher rates. Already some $15 million in rate increases have been obtained in 11 states; and [illegible] 15 others requests have been instituted. The System needs—and is trying for [illegible] increases approximating at least sev[illegible] times the $15-million figure.

- **Needed**—Also necessary to insure [illegible] $9 dividend in the years ahead are [illegible] a 20% or so increase in gross revenue by 1950; (2) reduction of the pay[illegible] ratio to 50% of gross revenues, or l[illegible] and (3) lower maintenance and depreciation rates.

Actually, no one really expects th[illegible] the $9 dividend rate will be slashed [illegible] the near future.

LABOR

Unions' Role in Building Slum

Contractors charge that strikes, higher wages, lo productivity—plus materials shortages and prices—have infla construction costs, cut building volume. Michigan tries unique p

Labor uncertainties continued to retard construction this week, although one bottleneck was broken when the northeastern cement strike ended.

• **Basis of Settlement**—A.F.L.'s United Cement, Lime & Gypsum Workers union called off a three-week strike—the union's first major walkout—with a 15¢ hourly raise. An estimated 10,000 strikers began returning to mills last week to prepare kilns for normal production.

The union yielded on two major demands. It agreed to forego time-and-a-half premium pay for packers and shippers required to work after 6 p.m.—regardless of whether they had worked before that hour. It also agreed to drop a demand that seniority alone govern promotions.

• **Lots of Headaches**—The end of the cement workers' strike promised early relief for the spreading paralysis ca by an acute shortage of cement. builders, however, the cement peace meant only the end of one h ache. There were many more.

Nationally, a serious lag in vol of construction under way or plan was reflected in building indexes. G ing unemployment in the buil trades was reported in many scatt areas. An expected spring boom in struction had failed to materialize. mates of 1947 building were being p sharply.

• **Placing the Blame**—To builders creasingly glum over prospects, blame rested principally on inflated struction costs (BW—Apr.12'47,p19

Generally, contractors blame infl costs on:

(1) The rise in prices of mate

ARRANGE LEGISLATIVE COMPROMISE

House and Senate labor-bill conferees had whipped into final shape th week a compromise on pet issues of the two chambers. Bearing a stron resemblance to the milder proposals that were originally accepted by th Senate, the finished product faces the question of a presidential vet (BW—May24'47,p82). Conference committee members were (left t right, seated): Sens. Murray (D., Mont.) and Ellender (D., La.), Re Hartley (R., N. J.), Sens. Taft (R., Ohio) and Ives (R., N. Y.); (standin Sen. Ball (R., Minn.), Reps. Barden (D., N. C.), Lesinski (D., Mich. Hoffman (R., Mich.), and Landis (R., Ind.)

up in many instances as much as 50 to 100% over prewar levels and 75 higher than in the 1926 building boo

(2) Increased labor costs—both o site and for materials suppliers;

(3) Decreased building efficiency a less productivity;

(4) Materials shortages and spotty d liveries; and

(5) Costly delays, many of them d to strikes.

• **New York's Experience**—In New Yo City, on-site labor costs recently we reported up nearly 100% over prew levels. All of this was not represent by actual raises in hourly pay; builde said the higher cost included lost ti due to materials shortages, and t need for more workers on the job.

New York builders' concern w heightened by demands recently ma for revision, on June 30, of a mast agreement between contractors a building unions. There was a preview what negotiations probably would mea Bricklayers demanded and got 25¢ a hour more under their contract, sep rate from the master agreement.

The New York contractors warn that labor was pricing its services at figure which might spread buildi shutdowns—and idleness. A.F.L. Buil ing Trades Council figures recently p the number of unemployed New Yo City building craftsmen at 25,000–20 of the city's skilled construction worke

• **The Same Story**—Increased wag were reported in Philadelphia (builde said the 20¢ hourly increase there wou raise costs of average housing units $30 to $400) and in many other cities. Bu falo contractors signed with 17 union representing 12,000 construction wor ers, for 15¢ an hour more. Pittsbur raises averaged 25¢ an hour, and th Home Building Assn. estimated it wou mean a $400 boost in costs for th average small home.

The story was much the same in S Louis, Indianapolis, Atlanta, Jackso ville, Denver, and Bridgeport. The i creases generally averaged 20¢. In ma instances, walkouts of from a few da to two weeks preceded settlements. wage dispute—and a building trad strike called May 1—continued in D troit. Commercial building in Kans City was at a standstill in the sevent week of a crafts union stoppage. Uni ists refused arbitration unless materi prices also are investigated.

Contractors said the higher lab costs would have to be reflected i higher costs to buyers. Building unio leaders denied it. Wage increases fro prewar levels total only 35%, as unio compute them. They argued that th by itself, would require only a "fra tional" boost in prices.

• **Spilling It Out**—Builders express even greater concern over lost produ tivity than over increased wage rat

The National Assn. of Home Buil[...] in advocating a legislative ban on clo[...] shop contracts, complained vigoro[...] against restrictive practices.

It cited seven "cost-inflation[...] practices of building trades unions, [...] listed them as: (1) restriction of w[...]ers' output; (2) make-work prac[...] (BW–Jan.19'46,p86); (3) restrict[...] on methods and materials; (4) juri[...]tional restrictive practices; (5) [...]tionary practices with respect to wor[...] hours and overtime pay; (6) restrict[...] on competition, supported by [...] unions; and (7) restrictions on labor [...]ply through apprenticeship rules.

Contractor estimates placed wo[...] productivity at only 50% to 70% of [...] war standards. Bricklayers in many c[...] were reported laying only 400 to [...] bricks daily, compared with an ave[...] of 800 before the war. Lathers were [...]ported placing only 33 bundles a [...] per man, as compared with their for[...] 55 bundles.

• **Union Rebuttal**–Such producti[...] arguments brought a sharp rejoi[...] from building tradesmen. No re[...]tions are in effect, spokesmen said. [...] productivity, where it exists, often [...] be traced to supplies shortages.

Shortages of skilled workers in s[...] lines are being combated by the uni[...] in cooperation with the U. S. Dept[...] Labor's Apprentice Training Ser[...] through greatly eased apprenticeship [...]quirements. And jurisdictional probl[...] are being fought through an A[...] Building Trades Dept. program wh[...] envisions a referee system, fines, [...] court enforcement of decisions.

• **Spotty Effect**–Actually, some juri[...]tional disputes have been ended thro[...] Building Trades Dept. intervention.

But others have been singularly [...] affected by the jurisdictional peace [...]gram. Considerable building in New [...]sey is at a standstill as a result, prima[...] of a dispute between A.F.L. carpen[...] and common laborers over who i[...] carry lumber from the piles to the p[...] each board is needed.

• **Michigan's Answer**–The contract[...] alarmed by a Commerce Dept. slash[...] 1947 predictions of total new constr[...]tion from $15 billion to less than $1[...] billion and of residential building fr[...] 900,000 new units to 750,000 or [...] have been burning midnight oil on [...] to cut corners, and costs. To date, [...] have found no ready solution.

Consequently, their attention tu[...] to an unusual–and, they believe, [...]precedented–development in Michig[...] The state government entered a cont[...]tor-unions dispute last week with [...] offer to underwrite a part of the co[...] a raise to workers erecting badly nee[...] buildings for Wayne University.

The workers had struck for hig[...] pay. Contractors informed state auth[...]ties that they could not settle the

ince it would raise costs of
lding project by 5%. The
committee of the Michigan
ministrative Board—quasi-legis-
dy which functions on fiscal
agreed to underwrite approxi-
1,750,000 in additional costs,
contractors got work back un-
immediately. Reasoning was
ting work would be more ex-
to the state, in the long run,
contemplated increase.

FOR THE BOSS

hundred A.F.L. unionists were
work this week in Brokaw, Wis.,
unsuccessful strike over one of
dest demands of the season.
walked out to force reinstate-
a popular boss, Carl Magnus,
ident and general manager of
Paper Mill Co. since 1940.
al weeks ago the company board
tors voted not to renew Mag-

Magnus: *strike-backed boss.*

contract. Employees protested.
s had won their backing by im-
ents to buildings and homes in
mpany-owned town. They de-
d that the board rescind its ac-
When company directors refused,
mpany's first strike in 47 years
.
nded, with Magnus still out, when
ternational Brotherhood of Paper
s (A.F.L.) intervened with an
tum to its Wausau local—either
k to work or face expulsion for a
of contract which the interna-
couldn't countenance.

NS' UNION NEWS

many another, the management
ens, Inc., mail-order company, has
taking a long and searching look

at its house organ (BW–May3'
As a result, something new h
added to The Aldenite–a page
news.

Alden employees are represe
Local 743 of A.F.L.'s teamste
which the company has satisfa
lations. It knows its people are
by everything the union does; h
logic in giving the union spa
paper "published by and for t
ployees."

The Aldenite presented its n
ture to its readers as "an effort
about a complete working unde
ing between labor and manage
The page has a guest column by
steward, with his picture. It p
more columns from other union
sentatives. It also has a simple,
standable explanation of the te
the company's 1947 labor agreem

U.A.W. Pays Wages Of Suspended Wor

The United Auto Workers (
paid the consequences this w
ordering its members to quit wo
attend a Detroit rally protesting p
labor legislation in Congress.

Some 65,000 workers and byst
attended the rally. Most major fa
in Detroit closed early when w
began to troop off their shifts at
• **Reaction**—General Motors Co
acted the next day. Fifteen lead
walkouts in its plants were disch
23 suspended for 30 to 60 day
450 others laid off for two days.

The auto union protested vehem
took its case directly to the G
Motors top labor command. U.A.
mitted that the walkouts may have
in violation of contract, but main
that the penalties came about as a
of a novel situation.

A compromise action cancele
discharges, substituted 75-day l
and reduced some of the other s
sions. In return, the union agree
similar situations in the future wo
subject to commensurate penalti
was agreed, however, that the te
the layoffs would not be a prec

That much ground conceded
union could do no less than p
suspended men for their idle time
they were following union orde
walking out.
• **Parallel**—Other companies ma
moves parallel to G.M.'s discip
action—a situation explained variou
union officials. Calmer ones just
"General Motors is always a g
stickler for discipline than the ot

While Ford and Chrysler simply
silent about the walkoff, the unio
it be known that Kaiser-Frazer ha
operated by allowing its workers tim

st for Foremen

Strike at Ford may put the e of supervisors' unions in balance. Ford unit is oldest biggest independent group.

e future of the entire supervisor movement may be hanging in the e. For in Detroit, picket lines of oreman's Assn. of America were ing this week before the gates Ford Motor Co.

strike in the original and largest hold of the independent union of en broke out after both sides re- to budge from unreconciled view- s.

tificial Barriers"—Ford feels that dea of a foremen's union has not d out. To avoid a walkout, it have gone along on an unchanged ining contract renewal. But first F.A.A. had to agree to eliminate icial barriers" in the way of promo- and advancements. The company illing to chance a strike, even in urrent period of tremendous auto- e demand, rather than move be- that line.

A.A. flatly rejected the "artificial r" concept of the company. Also, ounced that it would press for the union shop and checkoff securities ed by Ford's rank-and-file union— C.I.O. United Auto Workers. But remen's demand for reinstatement member (who was discharged for g a recent walkout to a union ng) was the straw that pushed to a severance of contract rela- (BW—May17'47,p82).

Common Ground—The strike be- uietly enough. A two-hour meet- ttended by top company and union ls found no common ground. The ists went back into council—and a strike call for 10 o'clock the morning. Many foremen didn't about it, so the Ford plants were to empty of supervisors.

the next day, however, Ford felt ectiveness of F.A.A.'s control. The ln plant had not a single foreman ng. At Highland Park, 22 of 231 en were at work, all nonmembers A.A. At the giant Rouge works, 63 of 1,800 supervisors on the day turned up.

terial Flow—As expected, auto ers' union members went through t lines to their benches. Thus, avoided any question of unemploy- compensation benefits in the event ant shutdowns. But their flow of rials was notably impaired by re- of A.F.L. Teamsters Union mem- to cross the picket lines.

rough last week, operations at the

Rouge were almost normal. Output volume of some 65,000 employees was right in line with schedules, guided by a handful of superintendents and foremen who are not members of the union.

• Greatest Gamble—The foremen took their greatest gamble in calling the walkout. It might prove to be the weight necessary to put a firmer labor bill on the statute books (page 68), one with barriers against supervisor labor organizations. But against that, F.A.A. had only two choices. It could stand still against a vigorous company challenge whose effect would probably have reduced the union's influence. Or it could go into a strike in which any success could be glamorized for the benefit of potential members.

F.A.A. was fighting on a second front in Detroit. At Gar Wood Ind Inc., a strike broke out the day the Ford tie-up. It grew out charges of a number of foremen bers, and the company's refusal gain until formal orders to that had been issued by the National Relations Board.

P.S.

C.I.O.'s United Auto Work (993-to-419) the eighth effort of unions to win collective barg rights at Thompson Products, usual (BW–Oct.27'45,p110). immediately announced it would to the National Labor Relations against the pre-election tactics company at its Cleveland plant.

TWO MEANS TO AN END: PICKETS AND PARLEY

While members of the Foreman's Assn. of America picketed Ford Mot Co. plants in the Detroit area (above), union representatives negotiat (below) in a peaceful atmosphere with Packard Motor Co. The negoti tors are (left to right): Russell Packard of the industrial relations offi Elmer Patzkowsky, head of labor relations; Floyd Byrd, plant manage Mike Manino and Prosper Traen, of the Foreman's Packard negotiatin committee; and Robert Turnbull, F.A.A. national director.

TERNATIONAL OUTLOOK

NESS WEEK
Y 31, 1947

The Geneva trade talks threaten to collapse.

Unless Under Secretary Clayton can return from Washington to Geneva with a strong new hand to play, creation of a permanent International Trade Organization may go by default.

•

Despite officially inspired reports of progress, Business Week's representatives in Geneva cable that the ITO conference has been bogged down from the start by the efforts of all of the 18 delegations to get something for nothing.

Other countries have waited for the U. S. to offer major tariff concessions before exposing their hands. Instead, the American delegation played cagey. It had to, while the U. S. Congress was asking even higher protection for American wool producers.

Now skeptical foreign governments say that the congressional move on wool raises the specter of Congress' booby-trapping other potential U. S. concessions.

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A recent flood of amendments, coming from virtually every country, threatens to render the U. S.-sponsored ITO charter completely impotent.

Officially, charter discussions are running on schedule.

Actually, the conference is passing over all controversial points and handing them on, without agreement, to subcommittees.

•

While Clayton is in Washington, all delegations (including the American) are marking time, waiting for a new lease on life.

They know that what Clayton pulls out of his pocket on his return will either make or break ITO.

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U. S. exports might not be affected importantly for some time by failure at Geneva. American goods are now reaching the world in unprecedented volume regardless of trade barriers. This will continue as long as shipments are largely financed by American credits.

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But unless a pattern for two-way commerce is established soon, the structure of U. S. foreign trade will become more lopsided than it is today. Result could be a decline in our exports as drastic as that between 1929 and 1932, when exports fell from $5.2 billion to $1.6 billion.

•

What this would mean to the U. S. economy—and to individual industries—is evident from Commerce Dept. figures for March.

Total commodity exports for the month reached $1,305,000,000. That's equivalent to an annual rate of over $15.5 billion, five times the 1939 value.

March exports of automobiles, trucks, buses, and parts topped $90 million. This is an annual rate of over $1 billion, 2½ times that of 1946 and 4½ times that of 1939.

Exports of industrial machinery topped $107 million, pointing to a total for 1947 of $1.3 billion. Shipments of electrical machinery and apparatus hit $49 million, or a rate of almost $600 million a year.

•

Typical of the orders U. S. industry is getting are two contracts just

given to Pittsburgh companies for the modernization of the French steel industry.

United Engineering & Foundry Co. has a $15-million order for rolling mills and auxiliary equipment. Westinghouse Electric International Corp. got a $6-million contract for electrical steel-mill equipment.

•

U. S. exports to Latin America are hitting record figures. In March they reached $351 million—double the 1946 rate and eight times that of 1939.

To Europe, they were $484 million, more than 4½ times 1939. But imports from Europe were only $50 million (slightly less than 1939). This is one of the chief reasons for the gap of $3 billion for the first three months of 1947 between U. S. exports of goods and services and U. S. imports.

•

Tardily, Washington experts have realized that Europe cannot be revived piecemeal. Aim now is to treat the continental economy as a unit—both in examining and in trying to meet its financial needs (BW—May24'47,p103).

What the Administration now fears is that a breakdown at Geneva would be blamed on the U. S. This would destroy confidence in America's ability to lead the world. It might turn Europe (on the long term at least) to Russia for help.

•

American industry, for its part, is neglecting the most promising market in the Far East.

Reports to Business Week from India reveal that, except for the U. S. automobile industry, most American businessmen are interested only in selling light consumer goods in the Indian market.

Indian industrialists, as well as state industrial directors, have received little cooperation in the U. S. when seeking capital goods and American know-how.

Offers of cash for equipment and generous royalties for licensing agreements have proved no inducement in bargaining with potential U. S. suppliers.

•

Indians attribute this attitude to American fears that they will copy U. S. ideas and flood the U. S. market with inferior goods produced by cheap labor.

In recent months, they have been surprised to find that British competitors are willing to take this risk.

As a result, big orders are being placed for British equipment and know-how, though Indian executives in many fields would prefer American.

•

Financial chaos in Nanking will lead to the postponement of the Yangtze Dam project.

The Chinese National government is about to cancel its contract with the U. S. Bureau of Reclamation for plans to cover construction of the dam (BW—Mar.3'45,p113).

The contract called for China to pay the bureau $500,000 for its work. Of the $250,000 already deposited by the Nanking government, only $100,000 has been spent. The remainder is apparently needed to pay off Chinese engineers now working or studying in the U. S.

[B]USINESS ABROAD

[R]olling-Stock Exports Zoom

To help rebuild world's war-torn transport systems, U. S. [ship]ments of locomotives and freight cars are far above prewar [leve]l. American carriers protest diversion of supplies.

[Th]e world's rail-transport system, [crip]pled and dislocated by war, is being [rebu]ilt in the plants and foundries of [Ame]rica.

[Le]nd-lease, UNRRA, and surplus [have] combined to get the railroads of [the w]orld started again. But a big un[finis]hed task remains before railroading [can] be brought back to its prewar effi[cienc]y. And that goes for the United [State]s as well as for foreign nations [else]where.

[Th]e American locomotive-building [indu]stry is hard at work on this task. [Its o]rder books are jammed with busi[ness]—domestic and export. But at the [same] time, it is experiencing a violent [fund]amental revolution: The domestic [mark]et is increasingly switching over to [dies]el electric; steam locomotive build[ers a]re consequently focusing their hope [for s]alvation of this business on the ex[port] field.

[W]ar's Impact—The wreckage of Eu[rope']s rail system is epitomized in early [calcu]lations of the European Central [Inlan]d Transport Organization, a 13-[natio]n agency set up to study transport [recon]struction.

[In] mid-1945, ECITO figured that [Belgi]um had only 77% of its prewar locomotives and 60% of its rolling stock. But only 25% of the motive power and 45% of the cars were in usable condition. A third of the cars were foreign.

With 73% of its locomotives, France had only 45% in service, one-sixth of them foreign. It had about half its rolling stock, but only 25% in service. Netherlands railroads were operating about 25% of the prewar equipment, with another 25% in need of repair. Roughly 85% of the cars were foreign. The Greek railroads had lost 90% of their locomotives.

The job of reshuffling borrowed and stolen rolling stock, repairing broken-down units, and renewing equipment is far from ended. By last month, the U. S. Zone in Germany had returned 565 locomotives, 840 passenger cars, and 33,371 freight cars to various other countries. It had received a handful of locomotives, 68 passenger cars, and 7,734 German freight cars in return for those sent back.

• **UNRRA and Surplus**—UNRRA, drawing upon U. S. and British suppliers, has supplied the world with 670 locomotives worth $41,430,000 and with 11,374 cars worth $21,541,000. These shipments were distributed as follows:

	Locomotives	Cars
Czechoslovakia	75	2,333
Poland	105	4,257
China	242	3,467
Greece	17	512
Yugoslavia	231	805

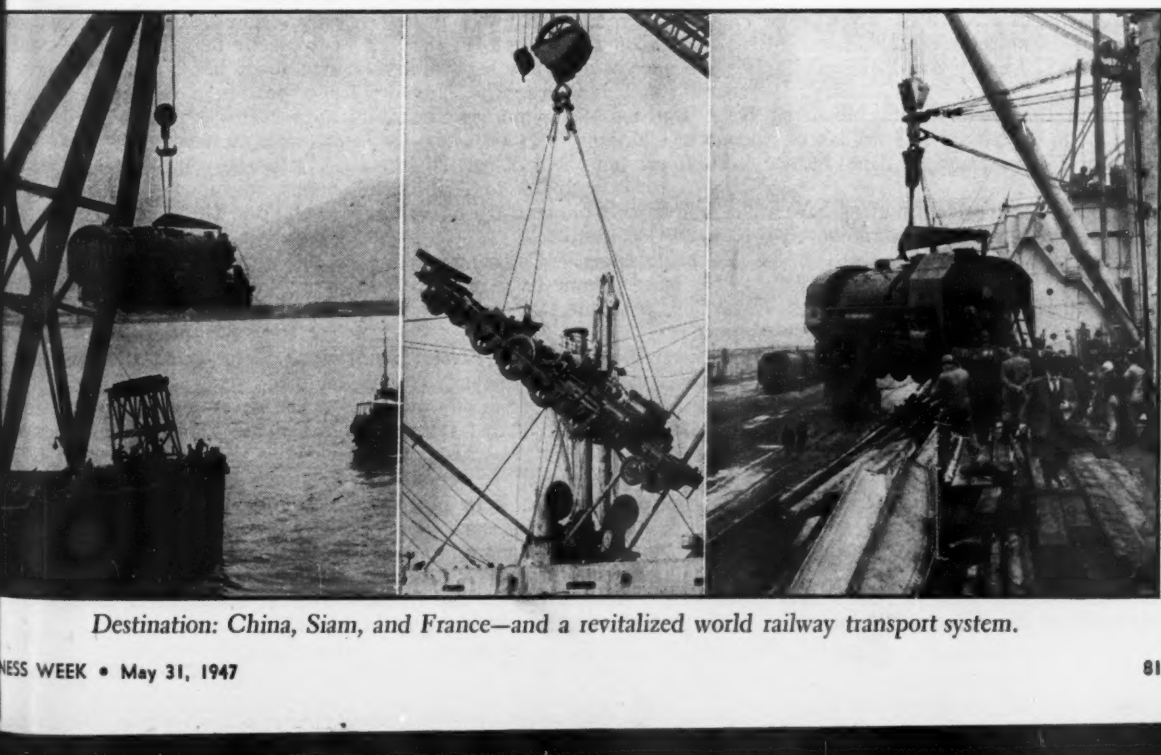
The Office of the Foreign Liquidation Commissioner has transferred 1,377 large locomotives to European countries: Greece, 42; French Algeria, 25; Czechoslovakia, 20; Austria, 30; Poland, 500; Turkey, 50; Hungary, 510. In addition, OFLC distributed 202 switch engines and 11,136 boxcars (to Holland, France, Greece, and Poland), and sold between 15,000 and 16,000 cars on the open market overseas. Distribution of OFLC rail equipment was on recommendations of ECITO.

• **Export Bonanza**—Before the war, only a handful of United States locomotives was exported annually, and the average export of freight cars was less than 2,000, including cars of less than 10-ton capacity.

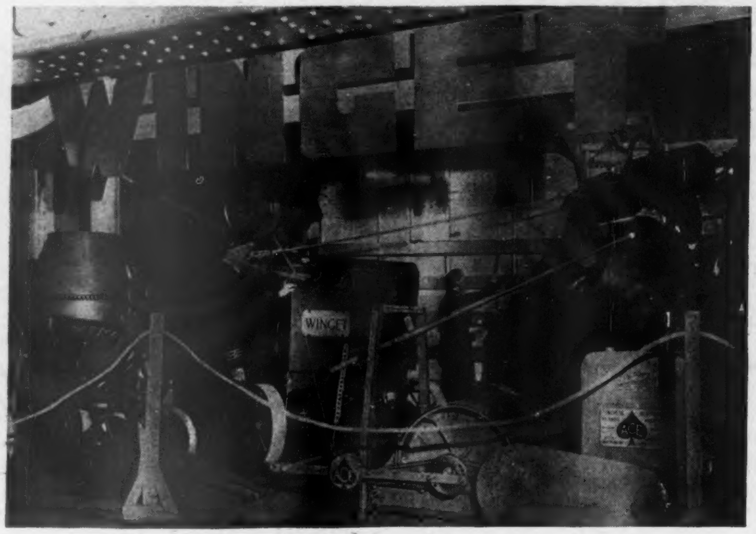
Monthly exports of locomotives are now equal to prewar annual totals. And in March, the number of freight cars exported each week equaled annual prewar exports.

• **Statistics**—Specifically, the U. S. exported 1,577 locomotives (44 of them electric) in 1946. The value of these shipments was $156 million. More than 22,000 railway cars, valued at $42 million, were shipped abroad. These shipments included 16,054 heavy freight cars and 6,562 cars of less than 10-ton capacity.

In the first quarter of 1947, some 365 locomotives (87 electric) valued at $22 million were exported. More than



Destination: China, Siam, and France—and a revitalized world railway transport system.



BRITISH TRAVELING TRADE FAIR

Overlooking no bets in the fight to reestablish its all-important export trade, Britain tries a "showboat" to display industrial wares. Carrying 36 exhibits of such products as cement mixers, motor vehicles, agricultural machinery, glassware, the S. S. St. Merriel is touring major South American cities. Object: to persuade Latin Americans to "buy British." U. S. manufacturers, however, aren't worrying. First-quarter reports for 1947 indicate a record for U. S.-Latin American trade, with U. S. exports averaging $310 million monthly to 20 countries below the border.

18,000 railway cars valued at over $40-million were shipped. Of these, 14,209 were heavy freight cars.

• **France Best Customer**—Biggest single factor in the railway-equipment export picture is France. Last year that country took from the U. S. 841 steam locomotives, 4,820 heavy freight cars, and 954 small freight cars. In the first quarter of 1947, France received 126 locomotives, 13,320 heavy and 1,815 small freight cars.

An Argentine State Railway mission to the U. S. has placed $25 million of orders for 75 steam and 90 diesel electric locomotives.

American locomotive builders have their order-books jammed with domestic and overseas business.

American Locomotive Co. had its biggest peacetime year in 1946 with shipments of $115 million. Last year 75% of Alco's business was for steam locomotives, 25% diesel-electric. The major part of the steam business was for export.

This year, with $60 million now on the order books, 75% of production will be diesel-electric, all for domestic customers, and 25% steam, nearly all for export. Seventy locomotives will go abroad—40 to Poland, and 30 to South America. Roughly 90% of Alco's new orders are for diesel-electric equipment. General Electric produces the electrical equipment that is required for Alco diesel-electrics.

Lima Locomotive Works, Inc., until 1942, had exported only 10 engines—to the Kin Han Ry. in China in 1918. Since 1942, Lima has built $45 million worth of steam locomotives for export. The War Dept. ordered 694 locomotives, of which 180 went to France. In 1945, France paid for another 100 locomotives, and last year the Treasury Dept. procured 45 locomotives for shipment to China.

This year Lima will deliver 20 locomotives to Poland, 15 to Argentina. Pending orders from abroad are for from 40 to 90 locomotives.

Fairbanks, Morse & Co., concentrating on the hungry domestic market (BW—May17'47,p59), has sold no locomotives abroad.

General Motors Corp.'s Electro-Motive Division, apart from some wartime business, has sold only 14 small units to Mexico for about $2 million. Domestic business is so good that standard equipment is on a 14-month delivery basis. The company aims to keep plugging the home market because mass production of standard units is more profitable than tailoring small orders for overseas. But with a weather eye on the future of diesel-electrics, the company is quietly studying the long-range prospects foreign sales.

General Electric Co., since the has shipped 29 electric locomot ranging from 60 to 165 metric t and 16 diesel-electrics from 25 to metric tons, all to Latin America. G has 51 electric locomotives of from to 210 metric tons under constructi 31 for Latin America and 20 for Euro In addition, 58 diesel-electrics of fr 40 to 65 metric tons are being built Latin America.

Westinghouse Electric Corp. has export backlog of 19 electric loco tives. With related substation equ ment, these represent $9 million wo of business. Westinghouse builds die electric equipment for other locomot builders, makes only all-electric units self. Diesel-electric parts busin abroad came to $5 million last y and will be larger this year. Orders hand include six 165-metric ton u for Central Ry. of Brazil; eleven 130- units for the Sorocobana Ry. in Br and two 210-ton locomotives for Chilean State Ry.

Baldwin Locomotive Works, w declining to provide details on its port business, is believed to have shipp more than 400 locomotives overs since the end of the war, most of th steam. On May 1, the company ported a $100-million backlog of ord with 500 diesels on order or be built.

Last fall Baldwin announced a c tract for eight locomotives for Br and India is reported to have bou 16 locomotives for $1,500,000. A B win subsidiary, Whitcomb Locomo Co., has an Argentine order for locomotives valued at $22 million, Baldwin is believed to have an o for another 30.

• **Headache**—Although competition equipment between domestic and eign roads has boomed business, i also proving a headache to manu turers. This is particularly true of ing-stock builders.

Deliveries on long-standing ex orders are now at an unpreceden level. But U. S. railroads are so perately in need of replacements (BW Feb.8'47,p19) that every car expo wrings wails of protest from dome carriers. Car-builders would like to get they ever heard about exports alone discuss details of firm orders f abroad.

The government—through the O of Defense Transportation—has brou vigorous pressure to bear on car ma facturers to restrict new foreign b ness until the needs of the United St have been met. And although U. S. roads admit the serious plight of Eur they argue the need for efficient roads at home before Europe is reh 100%.

Soviet Industry Continues Shift to East

The Soviet Union's current five-year plan is destined to continue the eastward shift of industry. Just how productive capacity outside European Russia will be expanded by 1950, at the end of the Fourth Five-Year Plan, has been revealed for several key industries.

The following comparative table shows the percentage share of eastern industrial areas in total Soviet output:

	1937	1940	1950
Iron ore	—	29%	44%
Steel	—	34	51
Coal	33.3%	36	47.5
Oil	8	12	36

In real terms, this will mean that the eastern areas of the U.S.S.R. are scheduled to produce 13 million metric tons of steel, 120 million metric tons of coal, and about 12,750,000 metric tons of petroleum by 1950.

• **Vulnerable Centers Shifted**—Soviet industrial decentralization schemes were embodied in earlier five-year plans when it appeared certain that a European war was pending and would involve vulnerable Soviet industrial centers around Leningrad, the Ukraine, and the Donets Basin. The war itself drastically speeded the move.

Just before the war, the Donets area produced 60% of Soviet coal. The Ukraine and the Crimea produced 64% of the iron ore and nearly 50% of the steel. About 95% of Russia's sugar and textiles was produced in the area invaded by Germany.

• **Eastern Boom**—Removal of plants and equipment ahead of the advancing Wehrmacht, and the speedy creation of new facilities to replace those abandoned or destroyed, boomed industrial production in the east. The Kazakh S.S.R. vastly expanded its cotton and beet-sugar production. Steel mills sprang up in the Urals, fed by iron and coal from soaring output of the Kuznets Basin and the Karaganda fields.

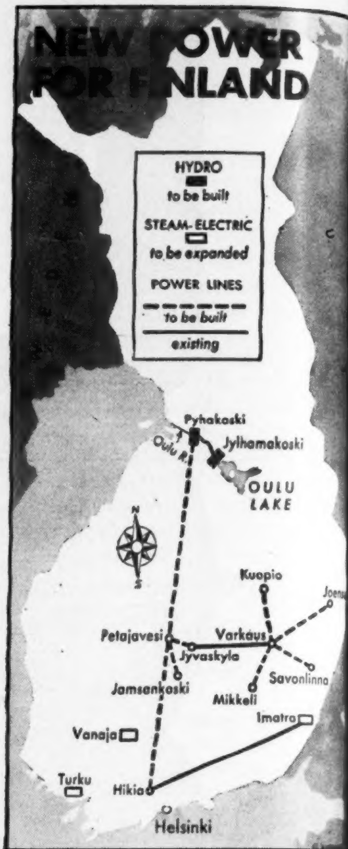
These advances are to be consolidated in the next few years by expanding related production facilities, raising further the share of eastern production in total Soviet output.

NEW SHIP LINE LAUNCHED

The Maritime Commission is expected shortly to approve the application of a new steamship line to operate between the Gulf and ports on the west coast of South America.

The new corporation, Gulf & South American Steamship Co., has been formed with capital of $5 million by the Grace Line and the Lykes Bros. Steamship Co.

The Grace Line operated out of Gulf ports until the early thirties throu[gh] wholly owned company, the New [Or]leans South America Steamship [Co.] Grace returned to this field in 19[..]



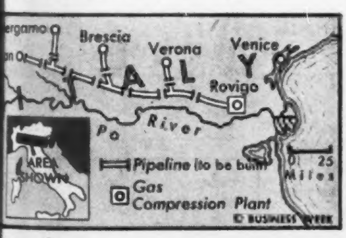
Expansion plans of Imatra Power [...] Finland's main electric supplier, [...] for doubling capacity to 255,000 [...] by 1950. At two points on the O[ulu] River in central Finland, hydro pl[ants] will be built. At Pyhakoski, 108,[...] kw. capacity is to be installed. T[he] turbines will be built by the Fin[nish] firm of Tampella. One generator i[s be]ing produced in Sweden (by A.S.E[A]) for 1948 delivery, and two in Bri[tain] (by Metropolitan Vickers) for d[eliv]ery in 1948 and 1949. At Jylha[makoski] two Finn turbines and two S[wedish] generators will be installed, provi[ding] capacity of 45,000 kw. A dam to [con]trol the water level of Lake Oul[u is] planned. A 295-mi. power line [will] connect the river development [with] Petajavesi and Hikia in southern [Fin]land. Branch lines will extend th[e ex]isting network. Some 2,200 ton[s of] steel-aluminum cable have been [or]dered in Canada. Belgium will su[pply] 5,500 tons of iron to Finnish mill[s for] manufacturing power line pylon[s].

for the War Shipping Administra-
nd was later joined by Lykes Bros.
e duration of the war.
is believed that both companies
separately for subsidy from the
ime Commission and were turned
—presumably because the commis-
decided there wasn't enough busi-
or two lines. Now a subsidy has
requested for the joint company.
eph T. Lykes, president of Lykes
and R. R. Adams, president of
, are close personal friends. They
gether a month ago and decided
rk together. In the new firm, they
e chairman of the board and presi-
respectively.
lf & South American will have
uarters in New Orleans and oper-
our C2 freighters in a fortnightly
e. Lykes Bros. will act as agent for
ompany in the Gulf, its home ter-
, and Grace will handle the South
ican end.

PIPELINE FOR ITALY

$10-million natural gas pipeline
t for northern Italy has been
ed with American engineering

e Po Valley pipeline will be fi-
d by a privately owned Italian
any with complete approval of
talian government. All materials
services not available in Italy
e purchased in the United States,
bly with Export-Import Bank
ts.
gineer on the project is J. D.
ling of Chicago. He will draw
plans, procure needed materials
e U. S., and supervise construc-
and initial operation.
e first step will be laying a line
the gas fields in the Po delta near
go to Milan. A branch line will
o Bergamo. Other branches, to
uilt later, will tie in with Verona
Brescia. Eventually the line may
d to Venice in the North, to Flor-
in the South.



hrough use of natural gas in this
it is expected that the equivalent
00,000 tons of coal can be saved
ually. This will reduce Italy's im-
by $10 million a year at present
prices. There is believed to be
gh gas to supply 35 million cu.
aily for more than 25 years. The
may be in operation 18 months
construction begins.

ADVERTISERS IN THIS ISSUE

Business Week—May 31, 1947

THE MARKETS (FINANCE SECTION—PA

Security Price Averages

	This Week	Week Ago	Month Ago	Year Ago
Stocks				
Industrial	137.9	134.9	139.9	184.2
Railroad	37.9	37.0	40.3	66.7
Utility	70.7	69.9	73.6	97.3
Bonds				
Industrial	123.2	123.1	123.5	124.1
Railroad	106.2	106.7	112.5	118.6
Utility	112.8	111.5	112.7	116.5

Data: Standard & Poor's Corp.

Bear Market Anniversary

Just a year ago this week, the big 1942-46 bull market, one of the "greats" in Wall Street's record-book, finally reached the end of its trail. Ever since then, most shares have been backing down—sometimes slowly, often by leaps and bounds. Rallies have occurred to slow up the decline. But thus far they have been weak, and few and far between.

• Effect on the Averages—What has been the extent of the damage to date of the 12-month downtrend? Plenty, if you use as yardsticks the Dow-Jones stock prime indexes, favorite market barometers of Wall Street's professional traders.

Before the 1942-46 price upsurge played out its string, here's what happened marketwise: a 129% rise in the industrial section of the stock list, a 193% jump upward by the rails, and a 219% increase in market value for the utility shares.

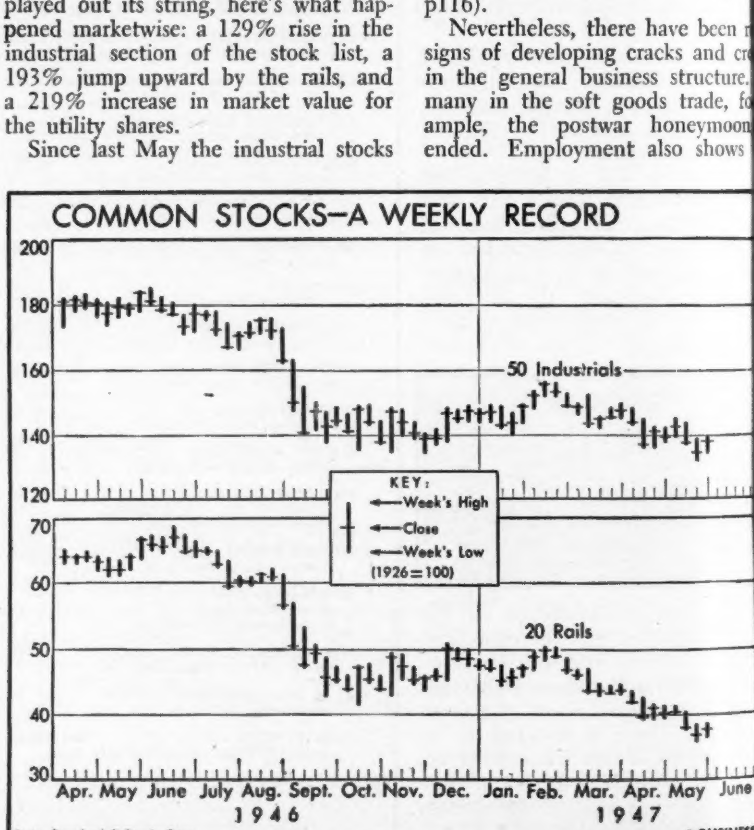
Since last May the industrial stocks have lost 40% of those gains. rails have erased some 58% of 1942-46 advance, the utility group and the stock market as a whole 40%.

• Leading Issues—Where indi leading stocks are concerned th ture is even less pretty.

Among the common stocks for give up 40% to 45% of their 19 rise, for example, have been th American Telephone & Telegraph 58), Union Pacific, du Pont, and Carbide. Between 46% and 50% bull-market gain has been lost b tional Steel and Chrysler; 51% to by Atchison, General Motors, and Stores; and 56% to 60% by Sou Pacific and Bethlehem Steel. U. S. common has lost 62% of such Southern Ry. 70%, Gimbel Bros. American Car & Foundry 67%, a H. Macy 72%.

• Major Slump?—Principal reason erally assigned for the year-long d is that the market has been discou a big downswing in general busine tivity. But no major slump is app thus far. In fact, the bear market started in 1946 seems slated to go in history as the longest antici movement on record (BW—Apr. p116).

Nevertheless, there have been signs of developing cracks and cr in the general business structure. many in the soft goods trade, f ample, the postwar honeymoon ended. Employment also shows



cline, as do manufacturers' new s and shipments; the building has proved to be a disappointment and the rise in inventories, estimated by some to have accounted for ch as 10% of production lately, ut ended.

r Lining—There has been some news lately. The rails operating f the Mississippi, for example, have permitted to raise their passenger 10%. Corporate dividends conto increase, showing that many managements are not worried by the outlook in their fields. Most encouraging news was the refusal of the market in the mid-May flurry of selling to penetrate last fall's bear-market lows decisively.

Nevertheless, the closing days of May disclosed no real evidence that the market was at a turning point. And June opens with most market participants continuing in a very cautious mood, and watching events on the business front mighty closely.

he Rails—No. 1 Market Paradox of 1947

In the first quarter of this year, ss I rail revenues ran 10% above 46 levels. Net earnings jumped to 7 million from $19 million. Based a normal seasonal performance s would indicate a full 1947 gross $8.5 billion, and profits of over 0 million vs. 1946's $287 million t. That would be the best peacee year since 1930.

Market Doubts It—There has been reflection of this outlook in the ck market, however. By late May, e Dow-Jones rail stock index had mbled almost 40% under its 1946 ll market high. It was back to its est level since late 1944. In the ocess it had erased some 56% of its 1942-46 bull market gains.

Why this divergence of trends? at's easily explained. What the rket has been doing is discounting o important factors in the situan.

• **What Worries Wall Street**—The first factor is the rigidity of the industry's postwar operating costs and its current high break-even point. This would have a magnified effect on profits if a subsequent drop in general business should touch off any sharp downtrend in freight revenues.

The market's second worry is the demand for new wage boosts the rails now face. A 15¢-an-hour hike would cost the industry some $320 million annually after taxes. And granting even a portion of the working-rule changes demanded by the unions would prove just as costly.

Second-quarter results may prove as encouraging as those for the January-March period. From there on, however, the picture is apt to change sharply. At least, that's what the recent market action of the rail shares would appear to indicate. The first-quarter figures (000 omitted):

	Gross Revenues		*Net Income*		*Earnings per Common Share*	
	1947	*1946*	*1947*	*1946*	*1947*	*1946*
h., Topeka & Santa Fe	$80,862	$68,520	$9,840	$11,898	$3.41	$4.26
ntic Coast Line	25,921	22,877	3,253	433	3.95	0.52
timore & Ohio	73,243	59,161	1,867	*D*7,503	0.50	*D*3.16
ston & Maine	20,444	19,217	*C*595	*CD*256	....	....
esapeake & Ohio	56,356	44,357	10,342	8,308	1.35	1.08
icago, Bur. & Quincy	44,319	39,273	8,958	8,478	5.24	4.96
icago Great Western	6,442	5,610	208	*D*910	*A*	*A*
icago, Milw., St. Paul & Pac.	43,912	36,298	2,327	1,267	0.44	*D*0.06
icago & North Western	29,598	24,884	*D*1,193	*D*1,937	*D*2.86	*D*3.77
laware & Hudson	12,067	10,269	1,077	244	2.09	0.47
e	31,916	25,088	637	*D*1,700	0.05	*D*0.90
at Northern	32,561	23,939	*D*916	*D*1,478	*BD*0.30	*BD*0.48
f. Mobile & Ohio	9,373	8,093	662	*D*25	0.52	*D*0.65
inois Central	47,592	39,282	4,528	1,318	3.13	0.76
igh Valley	15,550	12,860	302	*D*20	0.25	*D*0.02
isville & Nashville	40,781	34,075	4,360	3,817	1.86	1.63
souri-Kansas-Texas	15,307	14,838	419	632	*D*0.92	*D*0.66
w York Central	119,799	96,995	*D*3,010	*D*6,235	*D*0.47	*D*0.97
w York, Chicago & St. Louis	21,919	15,805	2,262	229	5.10	*D*0.92
rfolk & Western	37,928	30,890	8,810	7,542	6.11	5.21
rthern Pacific	28,886	22,507	1,641	*D*650	0.66	*D*6.26
nnsylvania R.R	211,151	198,094	*D*9,190	*D*3,833	*D*0.70	*D*0.29
re Marquette	14,163	9,993	706	*D*327	0.91	*D*1.38
ading Co.	24,883	21,132	2,118	579	1.01	*D*0.09
uthern Pacific	125,792	119,185	8,990	3,308	2.38	0.88
uthern Railway	47,326	39,883	2,911	2,841	1.66	1.61
xas & Pacific	11,040	8,632	1,191	1,305	2.31	2.60
ion Pacific	75,853	59,844	10,917	5,430	4.46	1.99
abash	22,942	19,040	2,422	980	3.46	1.05
estern Pacific	8,006	7,579	170	717	*A*	*A*

A—Not available. *B—Earnings on preferred stock.* *C—Before contingent charges.*
D—Deficit.

THE TREND

DOING THE COMMUNISTS' WORK FOR THEM

If we were given the job of promotion manager for the Communist Party in the U. S. A., we doubt if we could possibly dream up a neater piece of business for our side than that portrayed in the center of this page. This particular exhibit was taken from the Detroit Free Press, one of the most staunchly conservative newspapers in the United States. But the same picture was run with much the same caption and text by daily newspapers through the country.

On the very days when the picture, thanks to wirephoto, was being featured in picture sections from coast to coast, the front pages of the same newspapers were reporting the desperate hunger in Europe and the hurried emergency steps to stave it off. The nation's newspaper readers were thus left with the clear and dramatically underlined impression that, while Europe cries out with hunger, we destroy fine foodstuffs in order to keep up the price. Certainly it would be hard to conjure up a more damning portrayal of hopeless confusion and frustration in our own house.


Glutted Market Brings Surplus Potatoes to Unuseful End

A GLUTTED MARKET brings more than 50 tons of surplus potatoes to be dumped by the Government near Foley, Ala. They were grown in Baldwin County. Two production and marketing administration checkers stand atop the pile. Kerosene was poured over potatoes to render them useless.

Well, what of it? Wasn't it the duty of the press of our free land to tell the plain and unadulterated truth, however unpleasant? It is, indeed, the business of the press to tell the complete truth, but in this particular case one key and easily understood fact, which puts an entirely different complexion on the exhibit, was left out. And other facts which reveal the incident portrayed in a much softer light also were ignored by the blunt report that "A glutted market brings more than 50 tons of surplus potatoes to be dumped by the government . . . kerosene was poured over the potatoes to render them useless."

The key fact which was completely ignored is that potatoes could not be shipped to Europe. This fact first came to light last January, when the potato surplus began to attract attention. UNRRA officials, noting the availability of 20 million bushels of potatoes, said that a thorough study had convinced them of the impracticability of shipping them to needy countries. Potatoes must be shipped in refrigerated vessels or dehydrated. Refrigerator space, even if available, could be better used for m nutritional foods, UNRRA reported. The cost of prep ing and shipping dehydrated potatoes would be five ti what it would be to send other foods of equal caloric val

Another neglected fact is that the government pota surplus is a hangover of a wartime program which co manded almost universal congressional support wh enacted. In 1942, in order to stimulate production crops urgently needed for the war effort, the principle government support of agricultural prices during a peri of postwar readjustment was written into the stabilizati act. Under this act, which remains in force until two ye after the end of hostilities (until Dec. 31, 1948), t government is committed to buy farmers' produce if t market price falls below 90% of parity.

As we have marked before in t space, we think t farm price supp program now hu both the public large and the farm themselves. It courages excess p duction of the wro things, and reta the adjustment farm production the facts of econo life. In our view, program should dropped at the f moment it can done without havi the governme break its pledge. B even so, this warti measure is not t utterly inane and antisocial program so starkly impli by the exhibit in question.

Our inquiries indicate that this potato picture (a what it does not tell) has had a wide and deep effe Indeed, while there is no way to measure it, we doubt the combined efforts of all the editorial page defende and expounders of the American way of economic life f the next six months will offset the devastating impact the misrepresentation carried by that single picture, pa ticularly in its vivid and immediate association wi starvation in Europe.

We expect the Communists and their cohorts to mi represent the workings of our economic system. B when the press of the country, in its most conservati reaches, does the Communists' stuff for them with t mendous effectiveness, we call that unfair competiti

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